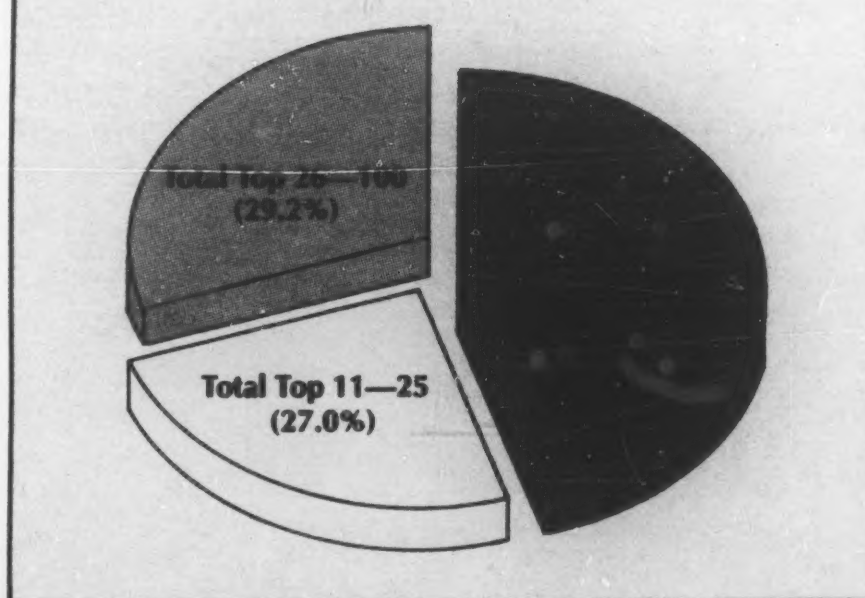
Perspectives

The 1987 *NHCN* Home Center Retail Leaders

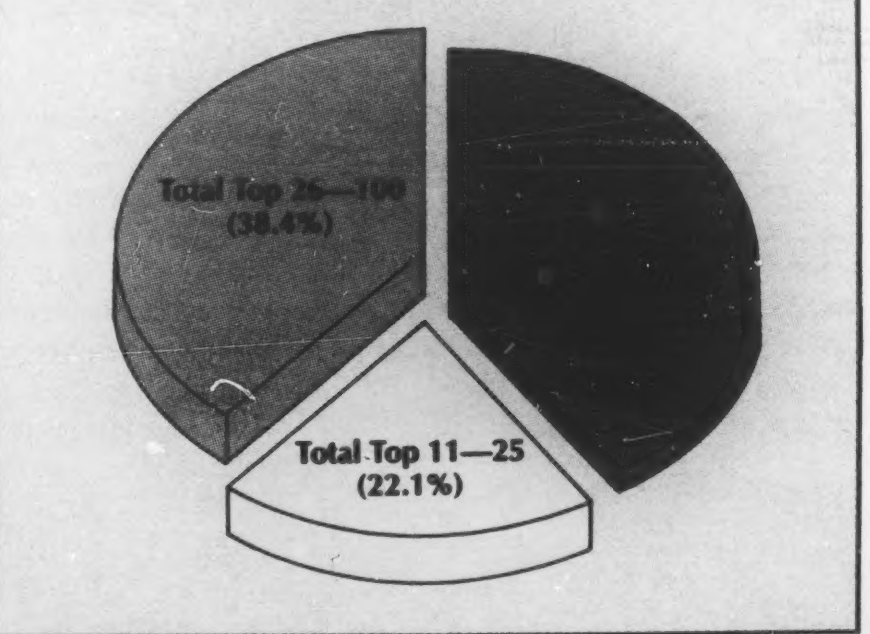
Over the past three years . . .

Percentage of Stores Run by Top 100
3,957 Total in 1985



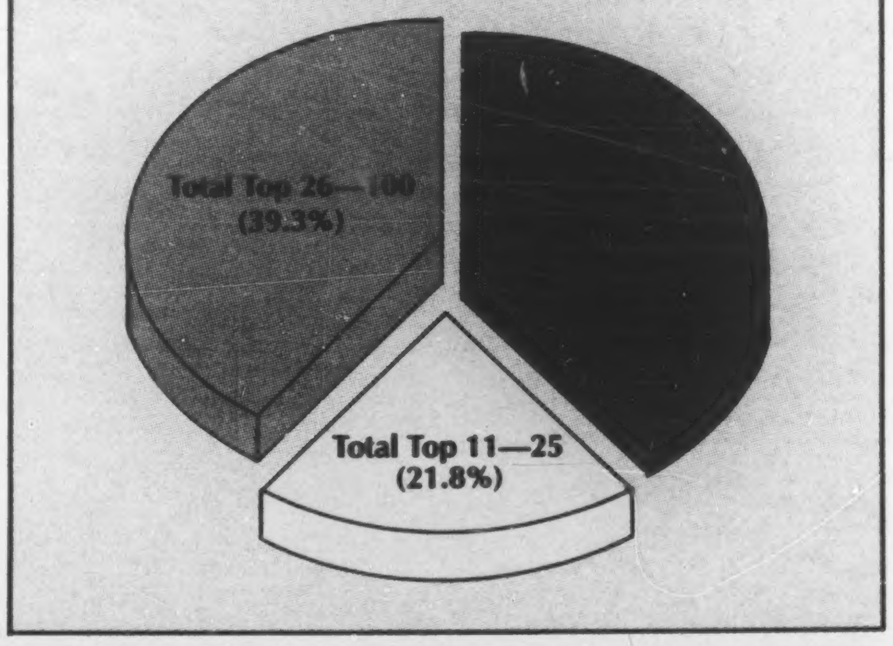
. . . the number of stores run by the Top 100 has grown . . .

Percentage of Stores Run by Top 100
4,959 Total in 1986



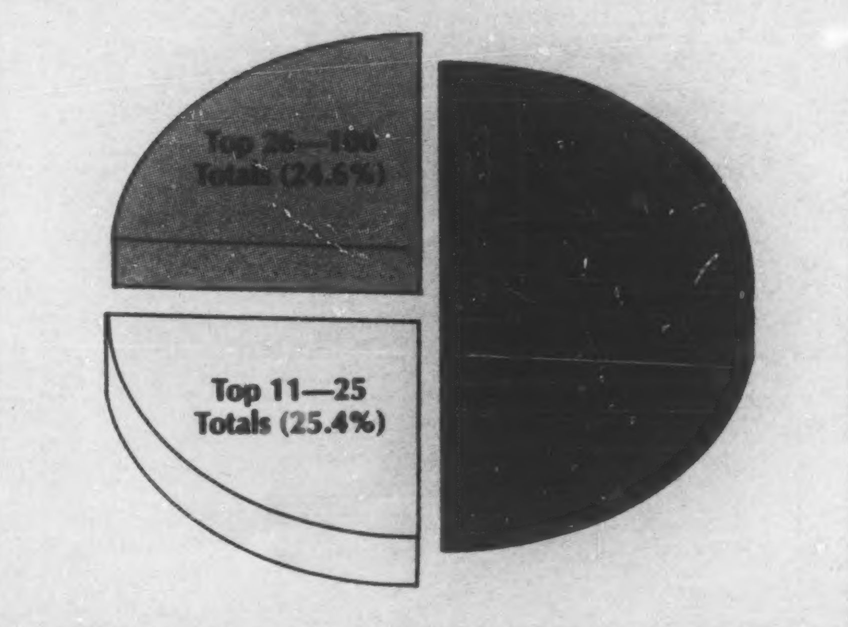
. . . though the Top 10 have a decreasing portion of the total.

Percentage of Stores Run by Top 100
5,073 Total in 1987



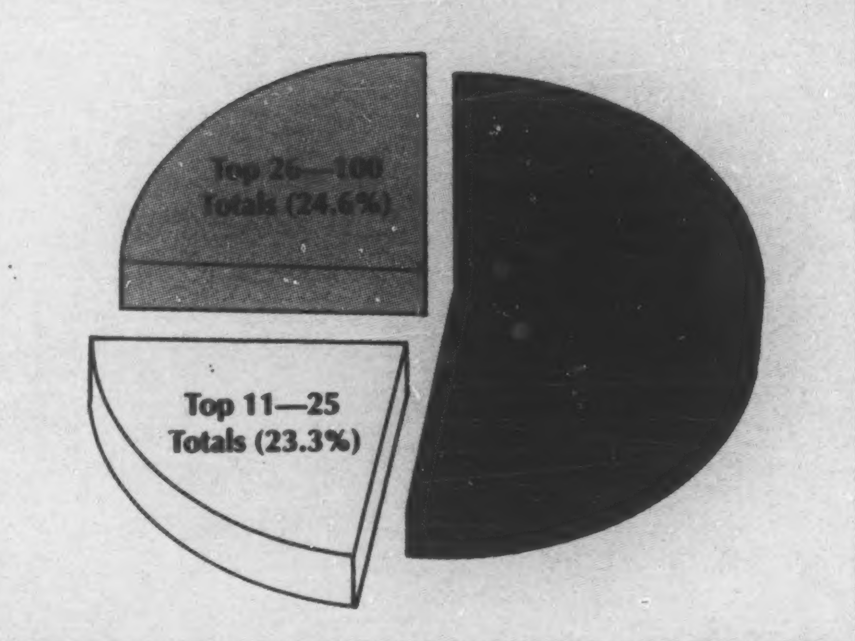
The sales pie has gotten larger since 1985 . . .

1985 Percentage of Top 100 Sales
Total ($ Billions) - 1.73



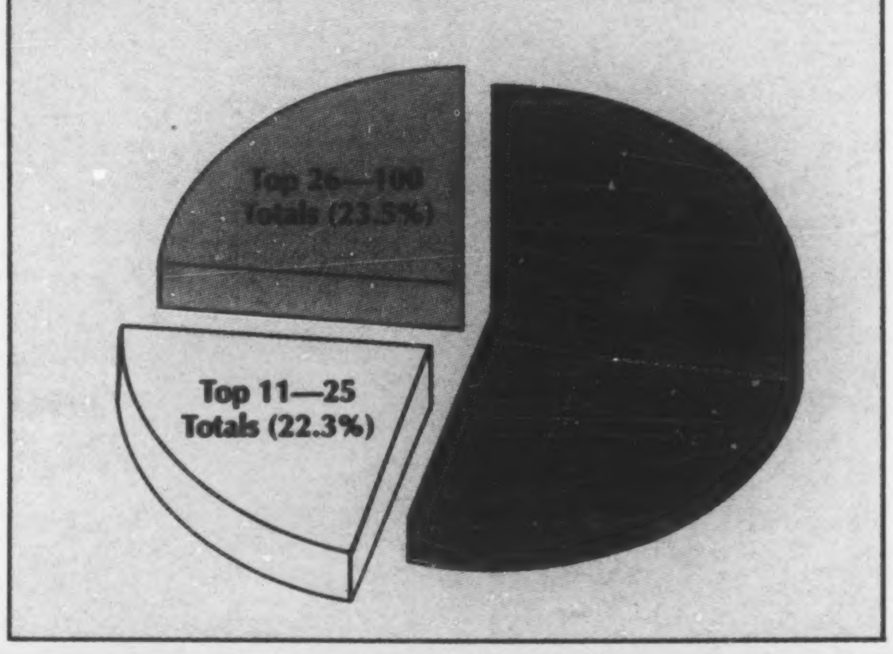
. . . and because of consolidation. . .

1986 Percentage of Top 100 Sales
Total ($ Billions) - 2.09



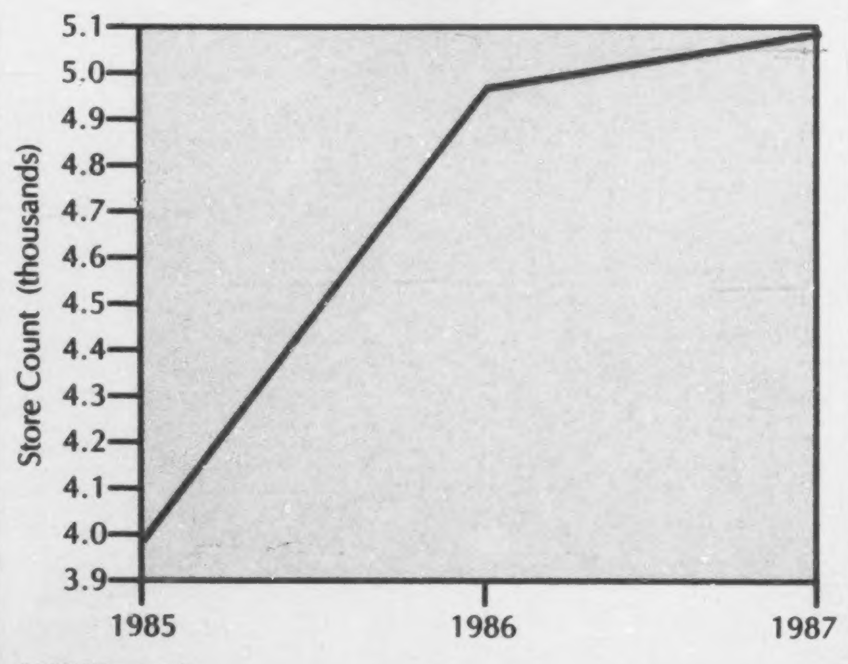
. . . the Top 10 companies control a larger slice of the pie.

1987 Percentage of Top 100 Sales
Total ($ Billions) - 2.43



The industry's store count has been leveling off . .

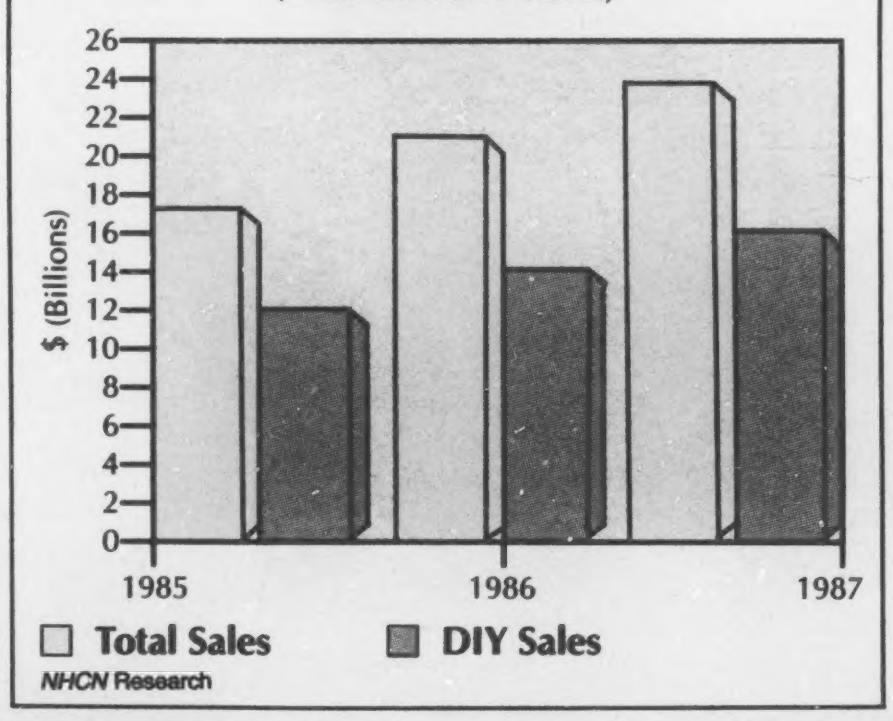
Increase in Total Store Count
(Top 100)



NHCN Research

. . . but retailers have striven to generate more sales. . .

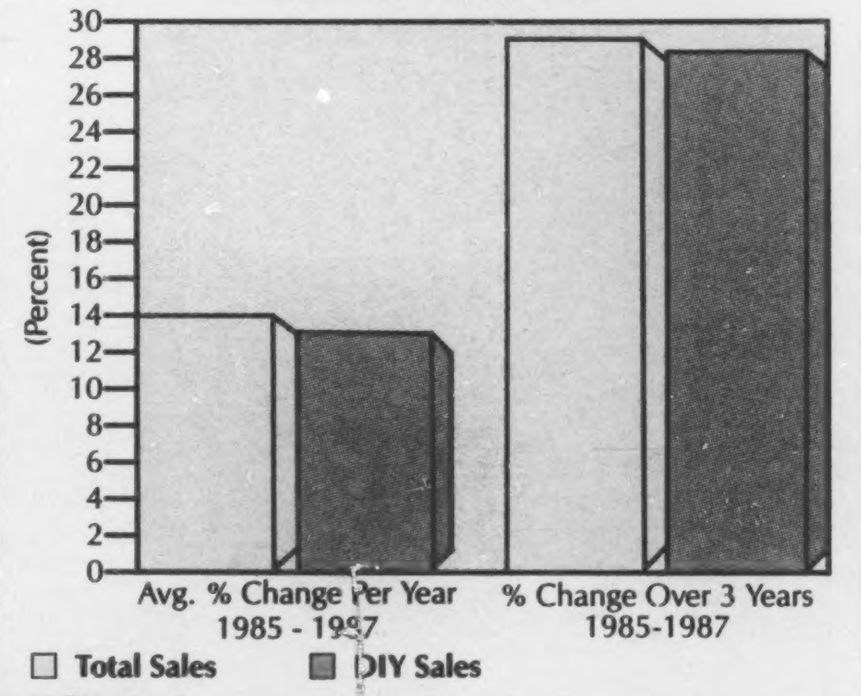
Top 100
(Total and DIY Sales)



NHCN Research

. . . by more productivity from existing units.

Rate of Increase
Total and DIY Sales



NHCN research

Three-year trend tracks home center industry in flux

By an NHCN staff editor

NATIONAL REPORT — Surrounded by colleagues at the Home Center Show two months ago, Tom Stanton paused to muse a bit about the industry.

"It's not what it was," said Stanton, senior vp-operations for Ernst Home & Nursery Centers. "It's more of an upscale industry today. We've become more sophisticated."

And looking at the numbers over the past three years, it's easy to see that the industry has changed in other ways.

There has been a wave of leveraged buyouts and mergers. Chains have moved toward larger stores, though not necessarily toward the warehouse format. The number of stockkeeping units is up, reflecting a trend toward broader merchandise assortments and an emphasis on home furnishings categories. And across the board chains are employing more people.

The number of people employed by the leading 100 retail companies grew 14.8 percent between 1985 and 1987. For the top 10 chains, the number of employees grew 13.6 percent and for the top 25 the number of people employed grew by 13.2 percent.

The top 25 chains now account for 77.5 percent of sales produced by the 100 companies tracked over three years, slightly from 75.3 percent in 1985. The top 10 retailers account for 54.2 percent of sales, compared with 49.9 percent in 1985.

At the same time, sales are increasing at all levels. Sales by the top 10 retailers were up 34 percent between 1985 and 1987; top 25 sales were up 30 percent and top 100 sales were up 29 percent.

While the number of stores has increased, the greatest growth is evi-

(Continued on page 21)

Warehouse chains lead large gains in per-store sales

By an NHCN staff editor

NATIONAL REPORT — The top 25 home center chains made dramatic gains in improving their sales per store and, to a somewhat lesser degree, sales per employee.

A breakdown of these companies shows that the average sales per store was $7.36 million. That's a 21 percent increase over the $6.1 million per store average these same chains realized in 1986.

Some of the individual performances were equally remarkable, particularly among the warehouse chains. HomeClub, for example, increased its per store sales 24 percent to $18.1 million.

The Home Depot's average per store sales growth wasn't quite as dramatic—14 percent to $19.3 million—but that average is the highest among the top 25 chains and one of the highest in the industry.

In fact, only a few chains saw their per store sales performance drop last year. Diamond Lumber, which closed 23 stores, declined 5 percent to an average of $3.7 million. Hechinger, which saw a 30 percent increase in its store count to 79 units last year, also witnessed its sales per store decline 5 percent to $9.1 million.

Despite its problems in the Oil Patch, Payless Cashways still got good performance from its stores, whose average sales rose 8 percent to crack the $9 million barrier. (Payless, no doubt, benefits from the high per store averages generated by its Knox Lumber and Somerville Lumber chain, the latter being the best performing operator in the industry, with more than $700 per square foot.)

One of the more noteworthy achievements was accomplished by Handy Andy Home Improvement Centers. Not only did this chain have the highest overall sales increase among the 180 companies listed this year, it was also able to bump up its per store sales average, albeit marginally, to $4.16 million, despite having added 20 stores through acquisition.

The levels of sales chains got from their stores is a direct result in some of the cost cutting efficiencies they've enacted over the past several months, one of those being trims in their labor forces.

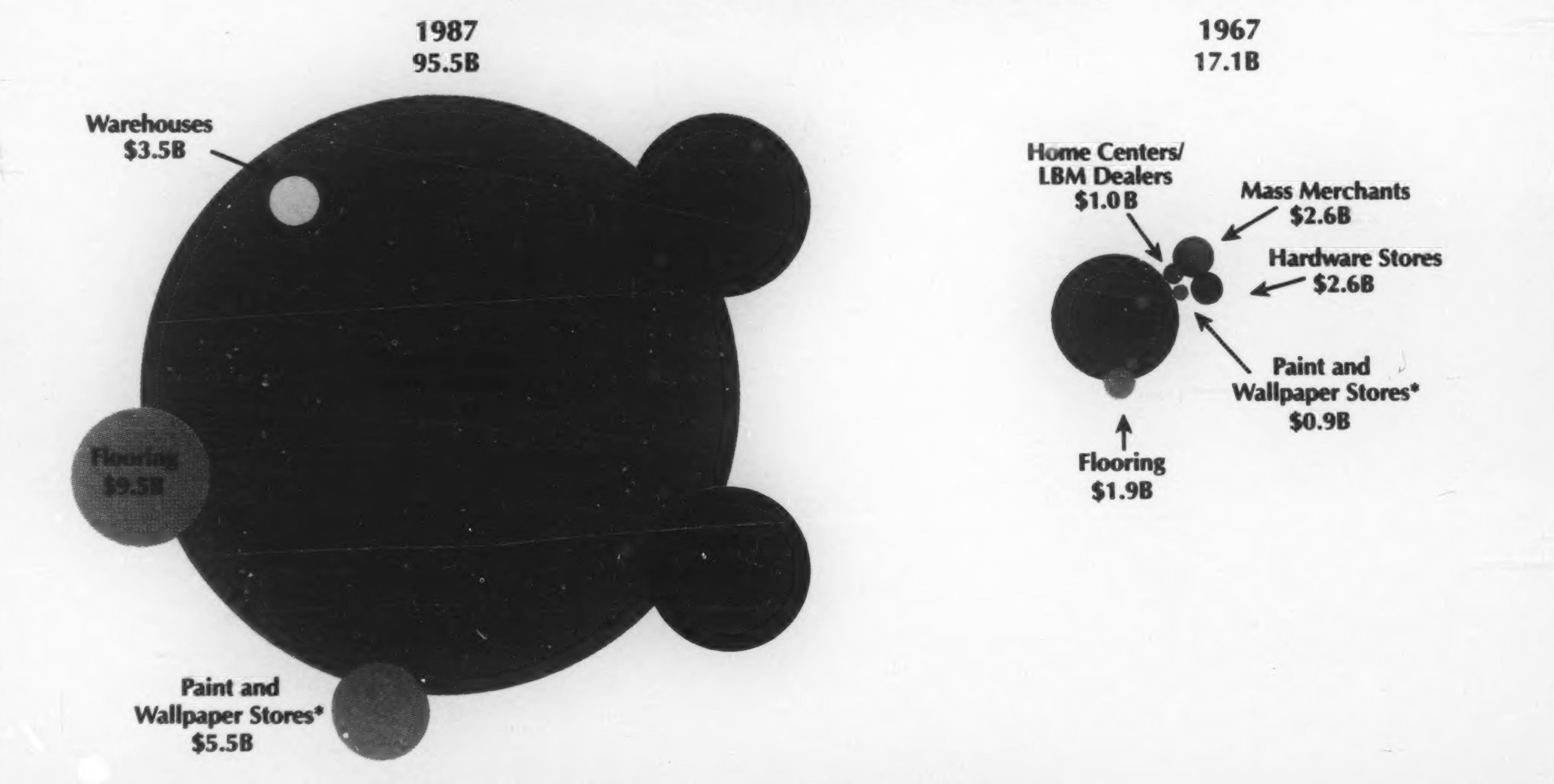
Consequently, the top 25 companies were able to squeeze more productivity out of their employees, whether they be in the stores or the headquarters. However, it didn't always follow that stores that cut back on employees were the ones that got the most from their stores.

Excluding Handy Andy, which wasn't among the top 25 chains last year, the average sales per employee per chain for this group was $133,883, about 2 percent more than the $131,452 generated by the employees of the same 24 chains in 1986.

The amount of sales companies got out of each employee—statistically, if nothing else—swung wildly among the top 25. HomeClub was the highest, with its 2,900 employees producing $218,966 per person. Each of Erb Lumber's employees was responsible for $205,714 in sales.

There were more than a few of the top 25 chains whose sales per employee actually dropped, even though their sales per store may have risen last year. Take 84 Lumber: Its employee productivity declined by more than $60,000 per person to $182,444, even though the company was still getting pretty good sales per store.

Conversely, despite its rapid store growth, and the difficulties of finding qualified people to man its units, Builders Square was able to improve its per-employee sales to more than $57,000.


Retail Home Improvement Universe

*Based on National Decorating Products Association data and *NHCN* estimates. *Source: U.S. Department of Commerce* *NHCN* Chart.

Einstein proved that universes constantly expand, and the retail home improvement universe has been no different, growing by 459 percent over the past 20 years. And, as the chart shows, the bulk of that growth has come from the revenues generated by home centers and building materials outlets.

PRODUCTIVITY FOR THE TOP 25 CHAINS

Company	Sales per square foot ($)	Sales per store (mil. $)	Sales per employee ($)
Lowe's	267	8.27	165,300
Wickes	296	5.72	127,219
Payless Cashways	336	9.08	118,000
The Home Depot	242	19.33	179,012
Builders Square	148	11.86	127,273
Grossman's	139	4.17	139,870
84 Lumber	227	2.27	182,444
Channel Home Centers	90	4.03	76,316
Hechinger	153	9.18	72,500
HomeClub	181	18.06	130,000
Sutherland	348	7.65	218,966
Menard's	222	15.53	178,788
Scotty's	76	3.74	83,770
Rickel	226	9.51	62,133
Pay 'N Pak	132	4.29	186,522
Handy Andy	114	7.39	81,250
Lanoga	363	2.54	161,500
Pergament Home Centers	188	7.50	100,000
Central Hardware	132	8.57	93,750
Erb Lumber	569	6.55	205,714
West Building Materials	99	4.16	88,438
Ernst Home & Nursery	98	3.71	86,667
Carter-Jones Lumber	207	1.66	121,000
Diamond Lumber	507	3.69	155,333
Wolohan Lumber	237	5.45	152,667

Source: Company records, *NHCN* research *NHCN* chart

Study of three-year trends shows an industry in flux

(Continued from page 20)

dent among smaller retailers. The number of stores in the retail market grew 19.5 percent between 1985 and 1987 for the top 100 retailers, but only 3.6 percent for the top 25 and a minuscule 0.8 percent for the top 10.

In all three categories, more growth occurred during the three years of 1985 to 1986 than between 1986 and 1987.

Fewer but larger units

But if large retailers are adding fewer units, the new stores are getting larger.

Total square footage for stores owned by the top 10 retailers in this survey averaged 48,230 square feet in 1987, up 35.7 percent from 31,000 square feet in 1985. In contrast, for the top 100 chains, square footage averaged 24,591 square feet, up only 2.4 percent. Average square footage for the top 100 was down 1.6 percent between 1986 and 1987.

Largest chains' share shrinking

The biggest retailers now own a smaller chunk of the store pie as measured among the top 100. For the top 10 chains, ownership was down from 43.8 percent in 1985 to 38.9 percent in 1987. For the top 25 chains, ownership was down from 70.8 percent in 1985 to 60.7 percent in 1987 *(see charts on page 20)*.

Retailers in the top 26 to 100 chains made the biggest gain, growing from a 29.2 percent ownership of all stores in 1985 to a 39.3 percent ownership in 1987. Meanwhile, the overall pie got larger, with the number of stores operated by the top 100 companies increased, from 3,957 in 1985 to 5,073 in 1987.

Largest chains drive engine of home center industry growth

By John Caulfield

NATIONAL REPORT — The sales growth in 1987 among home improvement dealers was generated mostly by the industry's largest chains, as smaller companies fought to keep their heads above water and manned the barricades against the invasions of larger operators into their markets.

Based on information provided by company executives (and in a handful of cases, *NHCN* estimates), sales from the industry's 180 largest retailers jumped 15 percent last year to $26.53 billion.

That's 36.8 percent of the $72 billion the U.S. Commerce Department reports building materials and hardware stores did in 1987, compared to $66.4 billon in 1986. (In that year, the top 180 companies made up 36 percent of the total market.)

Perhaps the most significant aspect of that growth was that it came from greater attention being given by deal-

(Continued on page 74)

Sales Per Employee Per Chain

Company	1987 Sales $ Mil.	Employees	Sales Per Employee
Lowe's Cos.	$2,440	14,761	$165,300
Wickes Cos.	2,150	16,900	127,219
Payless Cashways	1,770	15,000	118,000
The Home Depot	1,450	8,100	179,012
Builders Square	1,400	11,000	127,273
Grossman's	1,077	7,700	139,870
84 Lumber	821	4,500	182,444
Channel Home Centers	725	9,500	76,316
Hechinger	725	10,000	72,500
HomeClub	650	5,000	130,000
Sutherland	635	2,900	218,966
Menard's	590	3,300	178,788

Source: *NHCN* research

Top Gainers in DIY Volume

Company	$ Mill. In DIY Sales 1986	$ Mill. In DIY Sales 1987	$ Mill. Net Gain DIY Sale
Builders Square, San Antonio, Texas	455	980	525
The Home Depot, Atlanta.	859	1,233	373
Payless Cashways, Kansas City, Mo.	1,375	1,646	271
Wickes Cos.,Santa Monica, Calif.	1,170	1,376	206
HomeClub, Fullerton, Calif.	460	650	190
Handy Andy, Schaumburg, Ill.	147	319	172
Hechinger, Landover, Md.	588	725	137
Lowe's Cos., North Wilkesboro, N.C.	1,256	1,391	135
Menard's, Eau Claire, Wis.	383	502	119
Grossman's, Braintree, Mass.	806	862	56
Rickel, South Plainfield, N.J.	416	466	50

Source: *NHCN* research

Methodology used for 1987's retailers census

By an NHCN staff editor

This year's annual census has been expanded to 180 companies to better reflect the impact smaller companies and independents have in this industry.

The numbers for sales, square footage, stockkeeping units and employees were obtained from officials of the respective companies, usually the vp-finance, chief financial officer or, more commonly, the company's president. Sales were rounded to the nearest million dollars. Store area was rounded to the nearest square foot. Percentages were rounded to the nearest whole number.

Ranking criteria

Rankings were made according to total sales. In cases where two or more chains had the same sales, a secondary criterion—number of stores—was used.

Rankings were made according to total sales. In cases where two or more chains had the same sales, a secondary criterion—number of stores— was used.

Numbers indicating averages at the bottom of the chart of the Top 180 have been calculated to give equal weight to the companies indicated.

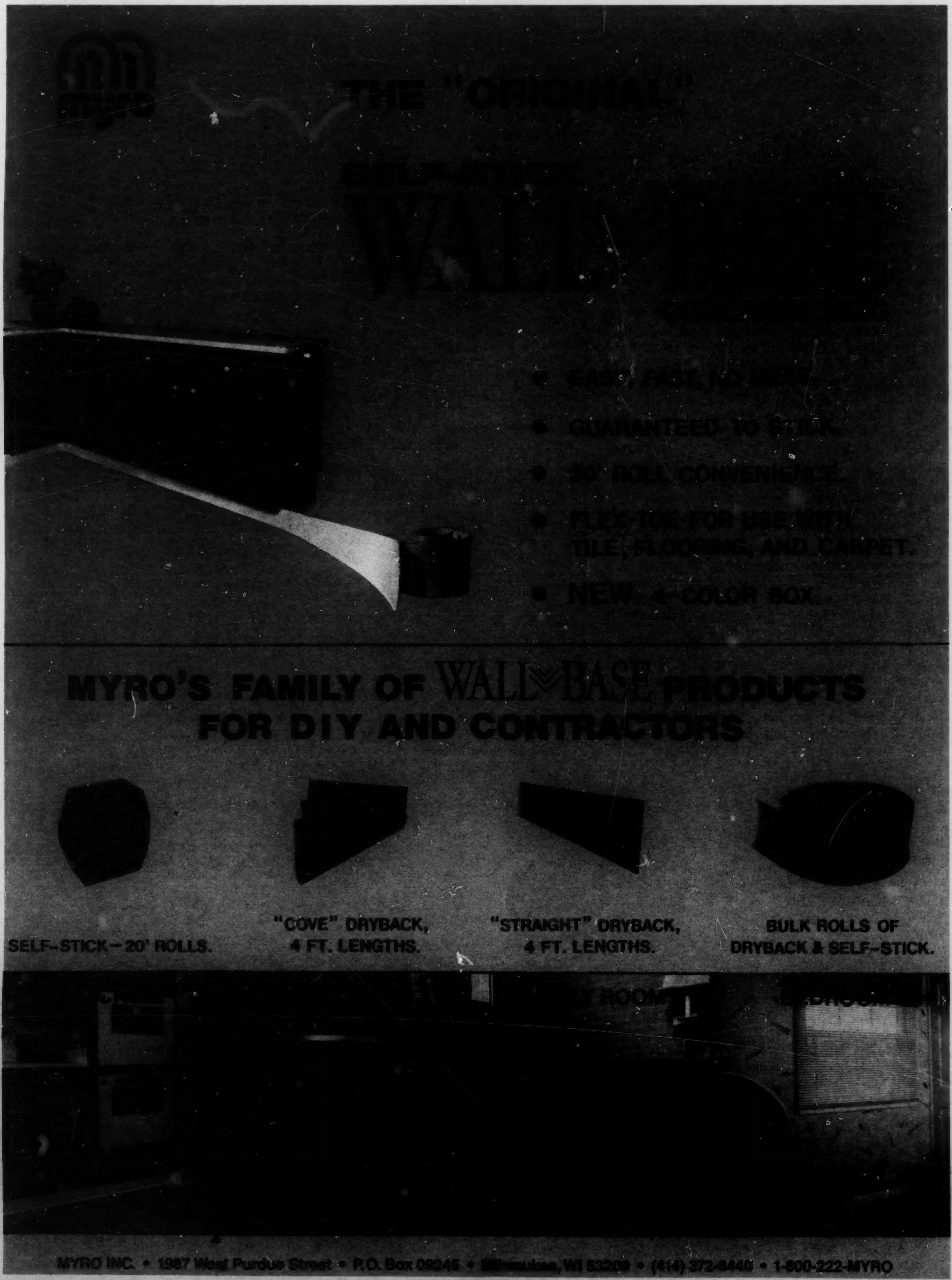
There are about 20 companies on the chart whose officials declined to reveal sales data. These are indicated by an "E" meaning that the figures represent estimates by *NHCN* staff members, based on knowledge of that company and how well competitors in its stores' markets performed. *NHCN*, in devising these calculations, attempted to be as conservative as possible.

Some 1986 data revised

It should also be pointed out that several chains asked that data on their chain printed in 1986 be revised to more accurately reflect what the company's sales were, or how big its stores or workforce were. This will account for any discrepancy readers familiar with last year's list might spot.

In virtually all cases, sales figures are for calendar-year periods, worked out by the individual companies. In the case of a chain like Scotty's, for instance, whose year ends in July, the sales figure printed in this year's chart reflects the chain's sales for the January to January time frame.

The subsidiary charts on productivity and general sales information were gleaned from records *NHCN* has been culling over the past three years on computer disk.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1987 Retail Home Center Leaders

Rank 1986	Rank 1987	Company	$ Mil. Sales 1986	$ Mil. Sales 1987	% Chg. 1986-1987	% DIY 1986	% DIY 1987	Number of stores 1986	Number of stores 1987	Number of stores 1988 (Proj.)	Sku's Store avg.	Showroom Sq. Ft. Store Avg.	Avg. Acreage Per Store	Employees 1987
1	1	**Lowe's Cos.,** North Wilkesboro, N.C.	2,283	2,440	7	55	57	300	295	302	20,000	31,000	NA	14,761
2	2	**Wickes Cos.,** Santa Monica, Calif.[1][e]	1,950	2,150	10	60	64	397	376	NA	10,000	19,300	5	16,900
3	3	**Payless Cashways,** Kansas City, Mo.[2]	1,528	1,770	16	90	93	181	195	208	15,000	27,000	7	15,000
4	4	**The Home Depot,** Atlanta	1,011	1,450	43	85	85	61	75	96	25,000	80,000	NA	8,100
7	5	**Builders Square,** San Antonio, Tex.	700	1,400	100	65	70	87	118	140	24,000	80,000	NA	11,000
5	6	**Grossman's,** Braintree, Mass.	1,007	1,077	7	80	80	272	258	NA	11,000	30,000	4	7,700
8	7	**84 Lumber,** Eighty-Four, Pa.	683	821	20	60	20	373	361	369	7,500	10,000	3	4,500
6	8	**Channel Home Centers,** Whippany, N.J.	725	725	0	75	75	201	180	170	25,000	45,000	NA	9,500
10	9	**Hechinger,** Landover, Md.[3]	588	725	23	100	100	61	79	86	40,000	60,000	NA	10,000
13	10	**HomeClub,** Fullerton, Calif.[e]	460	650	41	100	100	28	36	48	12,500	100,000	NA	5,000
9	11	**Sutherland,** Kansas City, Mo.[e]	605	635	5	80	80	86	83	NA	14,000	22,000	NA	2,900
15	12	**Menard's,** Eau Claire, Wis.	450	590	31	85	85	34	38	NA	50,000	70,000	NA	3,300
11	13	**Scotty's,** Winter Haven, Fla.	507	528	4	67	67	130	141	156	16,000	49,000	6	6,303
12	14	**Rickel,** South Plainfield, N.J.[4][e]	416	466	12	100	100	45	49	52	28,000	42,000	5	7,500
14	15	**Pay 'N Pak,** Kent, Wash.[5]	398	429	8	100	100	107	100	106	15,000	32,450	NA	2,300
29	16	**Handy Andy,** Schaumburg, Ill.[6][e]	150	325	117	98	98	24	44	NA	25,000	65,000	NA	4,000
17	17	**Lanoga,** Redmond, Wash.	322	323	0	50	50	135	127	127	16,000	[illegible]7,000	4	2,000
20	18	**Pergament Home Centers,** Melville, N.Y.	260	300	15	100	100	42	40	40	40,000	40,000	NA	3,000
19	19	**Central Hardware,** Bridgeton, Mo.	270	300	11	100	100	31	35	NA	40,000	65,000	7	3,200
22	20	**Erb Lumber,** Birmingham, Mich.[7]	249	288	16	50	50	42	44	NA	10,000	11,500	6	1,400
20	21	**West Building Materials,** Atlanta[e]	260	283	9	50	50	64	68	71	18,000	42,000	7	3,200
18	22	**Ernst Home & Nursery,** Seattle	250	260	4	100	100	73	70	75	25,000	38,000	NA	3,000
23	23	**Carter-Jones Lumber,** Kent, Ohio	210	242	15	55	55	140	146	NA	8,000	8,000	4	2,000
16	24	**Diamond Lumber,** Dallas[8]	338	233	(31)	20	20	86	63	64	8,500	7,300	4	1,500
24	25	**Wolohan Lumber,** Saginaw, Mich.	194	229	18	53	51	39	42	NA	8,000	23,000	NA	1,500
27	26	**Gerrity Building Centers,** Newton Falls, Mass.	171	194	13	10	15	16	18	19	12,000	4,500	10	721
25	27	**McCoy's,** San Marcos, Tex.	191	190	(1)	70	70	72	80	86	8,000	15,000	4	1,000
31	28	**National Lumber,** Fountain Valley, Calif.	150	159	6	100	100	18	20	22	24,000	60,000	7	1,300
33	29	**Mr. Goodbuys,** Philadelphia	100	138	38	95	95	12	13	17	40,000	65,000	2	1,800
38	30	**Terry Companies,** Tarzana, Calif.	100	128	28	10	8	13	13	14	10,000	6,000	3	520
—	31	**Agway,** Dewitt, N.Y.[9]	120	120	0	NA	NA	700	700	700	6,500	5,000	2	8,000
44	32	**Boise Cascade,** Boise, Idaho[10]	90	120	33	20	25	18	18	NA	10,000	10,000	5	650
35	33	**Dixiline,** San Diego, Calif.	105	115	10	40	53	5	9	10	25,000	20,000	3	900
38	34	**Copeland Lumber Yards,** Portland, Ore.	100	110	10	40	40	75	75	75	6,000	5,000	NA	700
37	35	**Foxworth-Galbraith,** Dallas	115	110	(4)	54	58	49	51	NA	15,000	18,000	5	1,025
35	36	**Lloyd Home & Building Ctrs.,** Danbury, Conn.	105	110	5	70	75	34	34	37	15,000	12,000	NA	1,000
41	37	**Meeks Building Centers,** Springfield, Mo.	94	110	17	40	40	23	24	NA	13,000	15,000	NA	500
42	38	**Strober Brothers,** Brooklyn, N.Y.	92	102	11	5	5	9	9	12	15,000	15,000	3	480
31	39	**O'Malley's,** Phoenix	129	101	(22)	30	30	16	13	13	20,000	25,000	1	740
38	40	**Edward Hines Lumber,** Chicago[e]	100	100	0	40	40	24	24	24	8,000	9,000	NA	800
—	41	**The Andersons,** Maumee, Ohio[11]	80	100	25	—	34	5	6	NA	50,000	150,000	NA	1,400
53	42	**P. F. O'Connor,** Braintree, Mass.	74	93	26	60	60	9	10	10	11,000	10,000	10	575
46	43	**Lampert Lumber,** St. Paul, Minn.	85	91	7	65	70	45	44	NA	6,000	9,000	NA	650
50	44	**Westlake Hardware,** Lenexa, Kan.[12]	80	90	13	91	92	38	46	NA	35,000	22,000	NA	1,100
43	45	**Hill-Behan Lumber,** St. Louis	92	90	(2)	49	50	34	34	NA	13,000	12,000	NA	750
48	46	**Anderson Lumber,** Ogden, Utah	84	90	7	30	30	23	22	24	15,000	6,000	4	550
46	47	**ACO,** Farmington Hills, Mich.	85	88	4	85	85	48	64	72	20,000	14,000	NA	1,200
50	48	**Alexander Lumber,** Aurora, Ill.	80	85	6	25	30	53	53	NA	10,000	5,000	4	380
52	49	**Valu Home Centers,** Buffalo, N.Y.[e]	76	81	7	100	100	25	25	27	15,000	27,000	5	750
55	50	**Wolf Organization,** York, Pa.	72	80	11	35	40	26	28	30	3,000	2,000	3	200
56	51	**Williams Brothers,** Atlanta	70	80	14	30	35	9	9	10	16,000	12,000	8	500
59	52	**Stambaugh-Thompson,** Youngstown, Ohio	69	78	13	100	100	20	20	20	20,000	27,500	2	1,200
60	53	**A. C. Houston Lumber,** Wichita, Kan.	72	77	7	15	12	11	9	9	14,000	17,000	NA	525
—	54	**Lone Star Hardware,** San Antonio, Tex.[13]	70	75	7	100	100	0	28	NA	32,000	35,000	NA	800
56	55	**Seacoast/Pelican Building Centers,** Conway, S.C.	68	75	10	22	22	11	11	11	20,000	15,000	NA	500
56	56	**Courtesy Home Centers,** Mt. Prospect, Ill.	70	75	7	100	100	6	6	NA	35,000	50,000	NA	910
53	57	**Scherer Brothers,** Minneapolis, Minn.	74	75	1	10	10	3	3	NA	8,000	3,000	3	275
69	58	**Seigle's Home & Building Centers,** Elgin, Ill.	57	74	30	35	35	6	6	8	24,000	27,000	NA	470
64	59	**Aubuchon Hardware,** Westminster, Mass.	62	73	18	100	90	134	135	138	8,500	4,000	1	750
63	60	**Brown-Graves,** Akron, Ohio	64	71	11	20	45	5	5	6	10,000	10,000	NA	370
60	61	**Busy Beaver,** Pittsburgh[e]	65	70	8	95	95	11	14	NA	13,000	20,000	NA	425
72	62	**National Home Center,** Springdale, Ark.	56	70	25	50	45	4	6	6	20,000	42,000	9	500
69	63	**General Building Products,** Medford, N.Y.	57	68	19	38	40	4	7	10	12,000	6,000	5	311
79	64	**Church's Lumber,** Utica, Mich.	58	67	16	75	70	15	16	NA	12,500	20,000	NA	500
—	65	**Western Lumber,** National City, Calif.[e]	60	67	12	50	50	11	10	NA	8,000	7,500	5	500
68	66	**Cox Lumber,** St. Petersburg, Fla.	58	66	14	22	22	13	13	13	8,000	9,000	5	600
65	67	**Chase-Pitkin,** Rochester, N.Y.[e]	60	66	10	93	95	11	11	12	30,000	45,000	NA	800
65	68	**Eclipse Industries,** St. Louis[e]	60	66	10	95	98	9	8	NA	20,000	50,000	NA	350
73	69	**Home Quarters Warehouse,** Virginia Beach, Va.[14]	55	65	18	100	100	6	9	NA	25,000	80,000	NA	800
60	70	**Mack Industries,** Hollywood, Fla.[e]	65	65	0	20	20	4	4	0	9,000	20,000	NA	530
94	71	**Fagen's,** Verona, Pa.	42	63	50	35	25	12	14	17	10,000	8,000	4	400

1987 Retail Home Center Leaders

Rank	Rank		$ Mil.			% DIY		Number of stores			Sku's	Showroom	Avg.	Employees
1986	1987	Company	Sales 1986	Sales 1987	% Chg. 1986-1987	1986	1987	1986	1987	1988 (Proj.)	Store avg.	Sq. Ft. Store Avg.	Acreage Per Store	1987
69	72	**Neiman-Reed's Lumber City,** Van Nuys, Calif.	57	60	5	95	95	10	10	12	22,000	34,000	3	1,000
89	73	**Hancock Co.,** Casco, Me.	45	60	33	46	46	8	8	8	15,000	4,000	3	150
105	74	**Triangle Building Centers,** Quakertown, Pa.	36	60	67	76	75	4	5	8	20,000	40,000	8	500
73	75	**Parr Lumber,** Aloha, Ore.	55	58	5	16	16	9	9	9	15,000	4,000	6	250
85	76	**Curtis Lumber,** Ballston Spa, N.Y.	49	58	18	40	45	7	8	9	13,000	14,000	NA	260
75	77	**East Coast Lumber,** East Hampstead, N.H.	53	58	9	13	16	3	3	3	15,000	5,000	6	250
92	78	**Haddonfield Lumber,** Haddonfield, N.J.	43	55	28	8	10	6	6	6	8,000	3,000	NA	230
80	79	**Ganahl Lumber,** Anaheim, Calif.	50	55	10	11	11	3	3	NA	14,000	9,000	8	425
78	80	**Bellevue Builders Supply,** Schenectady, N.Y.	50	55	10	34	34	1	1	1	15,000	22,000	NA	235
—	81	**Henry Bacon Building Materials,** Bellevue, Wash.[e]	47	53	13	50	55	5	6	NA	25,000	16,000	4	NA
76	82	**Goodman's Lumber,** San Francisco	51	53	4	100	100	4	4	4	35,000	50,000	NA	220
88	83	**The Paty Co.,** Piney Flats, Tenn.	46	52	13	55	55	6	6	7	13,000	20,000	5	450
80	84	**M. G. Building Materials,** San Antonio, Tex.	50	50	0	50	50	4	4	NA	13,000	10,000	36	100
89	85	**General Building Supply,** East Hartford, Conn.[15]	45	50	11	25	20	3	4	NA	12,000	17,000	8	145
80	86	**Stevenson Lumber,** Stevenson, Conn.	50	50	0	10	10	1	1	2	7,000	4,000	4	235
85	87	**Mid-Cape Home Centers,** Orleans, Mass.	49	49	0	25	25	8	7	7	17,000	12,000	4	265
87	88	**Lezzer Lumber,** Curwensville, Pa.	48	48	0	50	50	6	6	6	14,000	18,000	4	194
105	89	**National Hardgoods Dist.,** Stoughton, Mass.	36	46	28	100	100	27	31	35	27,500	16,000	NA	566
—	90	**Yardbirds of California,** Petaluma, Calif.	39	46	18	98	98	6	6	6	15,000	40,000	4	270
94	91	**Nassau Suffolk Lumber,** Hauppauge, N.Y.	42	45	7	30	30	6	6	6	10,000	3,000	3	235
94	92	**J. T.'s Home Centers,** Middletown, R.I.	42	45	7	35	30	5	4	4	15,000	15,000	5	275
80	93	**Star Lumber,** Wichita, Kan.	45	45	0	50	47	3	3	3	35,000	30,000	6	420
103	94	**Lampert Yards,** St. Paul, Minn.	39	44	13	46	45	29	29	NA	35,000	4,000	NA	210
101	95	**Woodbury and Sons,** Glens Falls, N.Y.	38	44	16	43	50	8	8	NA	12,000	9,000	NA	300
98	96	**Causeway Lumber,** Ft. Lauderdale, Fla.	41	44	7	12	18	3	3	NA	8,000	6,000	10	326
1[illegible]9	97	**Fairfield Lumber,** Fairfield, Conn.	27	42	56	6	6	2	3	3	15,000	5,000	3	160
—	98	**National Lumber,** Newton, Mass.	30	40	33	10	10	2	3	4	10,000	1,500	3	70
107	99	**Great Plains Supply,** St. Paul, Minn.	35	39	11	30	30	35	34	NA	10,000	4,000	5	250
114	100	**Standard Supply & Lumber,** Grand Rapids, Mich.	32	39	22	25	25	11	12	NA	12,500	5,000	6	155
112	101	**M. L. Claster & Sons,** Bellefonte, Pa.	33	39	18	50	50	11	11	11	7,000	7,500	3	260
103	102	**Rigg's Supply,** Kennett, Mo.[e]	37	39	5	75	60	8	8	8	9,000	20,000	4	145
111	103	**Masten Lumber,** Milford, Del.[e]	34	39	15	30	30	7	7	9	15,000	14,500	7	210
101	104	**Plywood Minnesota,** Minneapolis, Minn.	38	38	0	95	95	11	12	12	6,000	25,000	3	350
107	105	**Ply-Marts,** Norcross, Ga.	35	37	6	11	15	3	4	4	6,600	2,000	7	190
141	106	**Moser Lumber,** Naperville, Ill.	33	37	12	22	22	2	2	2	24,000	25,000	NA	225
100	107	**Lester Group,** Martinsville, Va.	39	36	(8)	35	35	5	5	NA	6,500	10,250	NA	175
118	108	**City Mill,** Honolulu	31	36	16	91	91	5	5	5	21,000	45,000	NA	325
—	109	**LaValley Building Supply,** Newport, N.H.	25	36	44	40	40	4	4	4	30,000	8,000	NA	165
—	110	**Builders General Supply,** Cranford, N.J.	30	35	17	15	15	4	4	4	3,000	2,500	5	130
—	111	**William M. Young,** Wilmington, Del.	25	35	40	10	10	1	1	1	NA	20,000	12	65
—	112	**Sinclair Lumber,** Laurinsburg, N.C.	34	34	0	12	12	8	8	8	14,000	13,000	6	300
—	113	**Fingerle Lumber,** Ann Arbor, Mich.	31	34	10	25	25	1	1	1	25,000	20,000	10	170
112	114	**Crissey-Fowler Lumber,** Colorado Springs, Colo.	33	34	3	15	15	1	1	1	20,000	28,000	8	130
99	115	**Kempsville Lumber,** Virginia Beach, Va.	38	34	(11)	10	10	1	1	1	12,000	10,000	NA	167
107	116	**Fullerton Lumber,** Minneapolis, Minn.	35	33	(6)	40	NA	34	27	NA	17,000	13,000	NA	400
125	117	**Hayward Lumber,** Salinas, Calif.	29	33	14	33	36	7	7	8	15,000	12,000	3	175
118	118	**Panning Lumber,** Orlando, Fla.[e]	31	33	6	8	8	7	7	7	12,000	8,500	NA	297
—	119	**Western Home Center,** Cincinnati	27	33	22	12	12	2	3	3	1,000	13,000	9	300
—	120	**Peter Lumber,** Pleasantville, N.J.	28	32	14	25	25	13	13	14	8,000	6,000	2	110
120	121	**Big Tin Barn,** Diboll, Tex.	30	32	7	15	20	6	5	5	10,000	5,000	7	100
131	122	**Hinckley Home Centers,** Hyannis, Mass.	26	32	23	35	38	3	4	4	24,000	7,000	3	160
93	123	**E. C. Barton,** Jonesboro, Ark.	32	31	(3)	30	35	27	27	27	8,000	6,000	3	375
120	124	**Builders Supply,** Omaha, Neb.	32	31	(3)	13	11	1	1	1	25,000	20,000	40	200
141	125	**Champion Lumber,** Riverside, Calif.	28	31	11	10	10	1	1	1	1,000	10,000	8	70
120	126	**O. B. Thompson,** Hopkins, Minn.[e]	30	30	0	83	83	8	8	8	22,000	10,000	NA	400
114	127	**Babbitt Brothers,** Flagstaff, Ariz.	32	30	(6)	40	40	6	6	7	20,000	10,000	5	135
—	128	**Great Central Lumber,** St. Louis, Mo.	30	30	0	6	6	5	4	4	5,500	6,000	7	100
76	129	**Ray Lumber,** Phoenix, Ariz.[16]	37	30	(19)	2	2	3	3	0	12,500	5,000	NA	200
—	130	**Raymond Building Supply,** N. Fort Meyers, Fla.	23	30	30	4	4	3	3	3	3,000	3,500	6	300
—	131	**J. C. Snavely & Sons,** Landisville, Pa.	25	30	20	15	15	2	2	2	NA	8,000	5	255
126	132	**All American Home Center,** Downey, Calif.	28	30	7	100	100	1	1	1	85,000	173,000	NA	300
131	133	**Builderama,** Savannah, Ga.	26	29	12	78	82	7	9	11	20,000	30,000	3	400
—	134	**Continental Lumber,** West Haven, Conn.	25	29	16	10	10	2	2	2	5,000	2,000	4	60
126	135	**Babcock Building Supply,** Melbourne, Fla.	28	28	0	50	50	8	8	8	30,000	30,000	NA	250
136	136	**Spahn and Rose Lumber,** Dubuque, Iowa	24	27	13	65	65	24	24	24	8,000	3,700	4	185
120	137	**Braver Lumber,** Detroit	30	27	(10)	87	80	11	11	8	8,000	8,000	4	250
126	138	**Millard Lumber,** Omaha	28	27	(4)	31	25	2	2	2	15,000	19,000	11	200
141	139	**TAPJAC Co.,** Carthage, Mo.	24	26	8	65	60	14	14	14	12,000	12,000	4	270
—	140	**Hermann Lumber,** Springfield, Mo.	25	26	4	25	25	10	10	10	10,000	8,000	6	150
—	141	**Stacy Building Materials,** Mobile, Ala.	26	26	0	65	60	7	7	9	20,000	NA	6	300
—	142	**Jaeger Lumber,** Union, N.J.	22	26	18	57	57	5	5	5	8,000	8,000	3	126

1987 Retail Home Center Leaders

Rank 1986	Rank 1987	Company	$ Mil. Sales 1986	Sales 1987	% Chg. 1986-1987	% DIY 1986	1987	Number of stores 1986	1987	1988 (Proj.)	Sku's Store avg.	Showroom Sq. Ft. Store Avg.	Avg. Acreage Per Store	Employees 1987
131	**143**	**Cofer Brothers,** Tucker, Ga.	26	**26**	0	11	**15**	1	**1**	1	10,000	6,000	4	85
136	**144**	**T. H. Rogers Lumber,** Oklahoma City	25	**25**	0	67	**65**	31	**31**	31	15,000	3,000	NA	175
—	**145**	**Lumber Headquarters,** Floral Park, N.Y.	21	**25**	19	85	**80**	12	**13**	13	6,000	5,000	1	220
—	**146**	**Consolidated Lumber,** Stillwater, Minn.	20	**25**	25	25	**25**	9	**9**	NA	5,000	NA	NA	110
—	**147**	**Steenbeke & Sons,** Boscawen, N.H.	28	**25**	(11)	37	**40**	6	**6**	NA	20,000	12,000	5	140
129	**148**	**Herndon Lumber & Millwork,** Gainesville, Va.	27	**25**	(7)	1	**1**	1	**1**	1	5,000	5,000	31	210
120	**149**	**Mayfield Building Supply,** Arlington, Tex.	30	**25**	(17)	0	**0**	1	**1**	1	5,000	0	14	125
145	**150**	**Hacienda Home Centers,** Albuquerque, N.M.	23	**25**	7	100	**100**	6	**6**	NA	18,000	21,000	5	280
141	**151**	**Manis Lumber (Wheeler's),** Rome, Ga.	24	**24**	0	36	**36**	6	**6**	7	10,000	8,000	5	129
136	**152**	**Stine Lumber,** Sulfur, La.	24	**24**	0	80	**60**	6	**4**	4	8,000	14,000	4	140
89	**153**	**Daniels-McCray Lumber,** Kansas City, Mo.	27	**24**	(11)	2	**4**	3	**3**	3	9,000	3,000	6	87
—	**154**	**A. H. Angerstein,** Elsmere, Del.	21	**24**	14	NA	**NA**	2	**2**	2	14,000	1,500	NA	180
147	**155**	**Wallich Lumber,** Detroit, Mich.	21	**24**	14	5	**5**	1	**1**	1	10,000	10,000	10	80
136	**156**	**Elk Supply,** Clinton, Okla.	25	**23**	(8)	80	**80**	17	**17**	NA	30,000	12,000	3	127
—	**157**	**Stottlemyer & Shoemaker Lumber,** Sarasota, Fla.	20	**23**	15	15	**15**	2	**2**	1	10,000	9,000	7	200
114	**158**	**Calcasieu Lumber,** Austin, Tex.	32	**23**	(28)	2	**2**	1	**1**	2	13,500	10,000	32	125
114	**159**	**Stripling Blake Lumber,** Austin, Tex.	32	**23**	(28)	20	**30**	2	**1**	2	35,000	30,000	6	165
—	**160**	**C & C Building Supplies,** Tarrs, Pa.	20	**23**	15	45	**45**	1	**1**	1	15,000	35,000	17	62
—	**161**	**General Builders Supply,** Norwood, Mass.	21	**23**	10	5	**5**	1	**1**	1	NA	5,000	6	50
147	**162**	**Lummus Supply,** Atlanta, Ga.	22	**23**	2	40	**30**	4	**5**	NA	8,000	8,000	4	60
—	**163**	**Alamo Lumber,** San Antonio, Tex.	26	**22**	(15)	55	**55**	17	**16**	NA	4,500	3,500	2	240
—	**164**	**Conklin & Strong,** Warwick, N.Y.	19	**22**	16	75	**75**	7	**7**	7	2,800	4,000	2	110
136	**165**	**Levy's Building Centers,** Louisville, Ky.[e]	25	**22**	(12)	84	**80**	5	**4**	NA	25,000	60,000	NA	300
—	**166**	**Woodward Lumber,** Los Cruces, N.M.	19	**22**	16	2	**2**	3	**3**	3	5,600	3,200	NA	150
—	**167**	**Friend Building Centers,** Lowell, Mass.	17	**22**	29	50	**50**	2	**2**	2	10,000	8,000	2	130
—	**168**	**Robertson Cos.,** Grand Forks, N.D.	19	**21**	11	67	**67**	26	**22**	NA	15,000	3,000	2	160
—	**169**	**Cramer's Building Centers,** E. Stroudsburg, Pa.	18	**21**	17	70	**70**	7	**7**	NA	9,000	20,000	NA	115
—	**170**	**Economy Lumber & Hardware,** Denver, Colo.[e]	21	**21**	0	50	**50**	3	**3**	3	13,000	10,000	9	130
147	**171**	**Baily Lumber,** Bluefield, W. Va.	20	**20**	0	65	**45**	15	**15**	15	10,000	6,000	2	200
—	**172**	**Gulf Stream Lumber,** Boynton Beach, Fla.	17	**20**	18	NA	**10**	1	**2**	2	20,000	6,000	14	125
150	**173**	**Hughes Lumber,** Tulsa, Okla.	21	**19**	(10)	75	**75**	10	**10**	NA	9,500	15,000	4	160
—	**174**	**Dooley's Hardware,** Long Beach, Calif.	18	**19**	6	33	**33**	1	**1**	1	NA	22,500	8	180
—	**175**	**Buena Park Lumber,** Buena Park, Calif.	15	**18**	20	22	**22**	1	**1**	1	32,000	25,000	5	100
—	**176**	**Olshan Lumber,** Houston, Tex.	20	**17**	(15)	NA	**NA**	2	**2**	2	15,000	30,000	13	200
145	**177**	**Martin Home Centers,** Alexandria, La.	23	**16**	(30)	28	**28**	0	**5**	5	10,000	10,000	5	80
—	**178**	**United Lumber,** Anchorage, Alaska	17	**16**	(6)	35	**35**	4	**4**	4	19,000	10,000	5	75
131	**179**	**Sackett & Peters,** Whittier, Calif.	26	**15**	(42)	100	**100**	2	**1**	NA	37,000	120,000	NA	120
—	**180**	**Housatonic Lumber,** Derby, Conn.	9	**10**	11	50	**50**	1	**1**	1	15,000	14,000	3	105
		TOP 10 TOTALS AND AVERAGES	10,935	**13,208**	21	71	**74**	1,961	**1,973**	NA	19,000	48,230	2	102,461
		TOP 25 TOTALS AND AVERAGES	15,814	**18,639**	18	75	**74**	3,039	**3,063**	NA	20,460	40,182	2	149,564
		TOP 50 TOTALS AND AVERAGES	18,384	**21,434**	17	61	**62**	4,429	**4,496**	NA	18,340	30,921	3	177,255
		TOP 100 TOTALS AND AVERAGES	20,966	**24,363**	16	54	**55**	4,959	**5,073**	NA	17,500	24,746	3	197,417
		TOP 180 TOTALS AND AVERAGES	23,062	**26,532**	15	47	**47**	5,470	**5,579**	NA	15,850	20,836	4	211,922
		TOP 11-25 TOTALS AND AVERAGES	4,879	**5,431**	11	74	**74**	1,078	**1,090**	NA	21,433	34,817	3	47,103
		TOP 26-50 TOTALS AND AVERAGES	2,570	**2,795**	9	47	**50**	1,390	**1,433**	NA	16,220	21,660	3	27,691
		TOP 51-100 TOTALS AND AVERAGES	2,582	**2,929**	13	48	**48**	530	**577**	NA	16,660	18,570	4	20,162
		TOP 101-180 TOTALS AND AVERAGES	2,096	**2,169**	3	38	**37**	511	**506**	NA	13,788	15,888	6	14,505

Company	Subsidiaries 1987	$ Mil. Sales 1986	Sales 1987	% Chg. 1986-1987	% DIY 1986	1987	Number of stores 1986	1987	1988 (Proj.)	Sku's Store avg.	Showroom Sq. Ft. Store Avg.	Acreage Per Store 1987	Employees 1987
Wickes Cos.	**Wickes Lumber,** Vernon Hills, Ill.	1,080	**1,200**	11	40	**40**	245	**224**	NA	10,000	9,000	5	7,500
	Builders Emporium/Ole's, Irvine, Calif.[e]	709	**750**	6	100	**100**	131	**123**	NA	25,000	35,000	NA	16,900
	Orchard Supply Hardware, San Jose, Calif.	163	**200**	23	80	**80**	21	**29**	31	50,000	33,000	5	2,900
Lanoga	**Lumbermen's,** Olympia, Wash.	65	**72**	11	45	**52**	16	**16**	16	13,500	10,000	4	440
	Spenard's, Anchorage, Alaska[e]	130	**111**	(15)	**34**	**50**	11	**9**	9	21,000	9,000	5	350
	United Building Centers, Winona, Minn.	127	**140**	10	47	**NA**	108	**102**	102	12,000	7,000	3	1,200

Footnotes

[1] Includes sales from Builders Emporium/Ole's, Wickes Lumber and Orchard Supply Hardware. Wickes signed a definitive agreement to sell Wickes Lumber to its management on April 21, 1988.

[2] Includes stores operating under the names Payless Cashways, Furrow Building Materials, Lumberjack, Knox Lumber and Somerville Lumber (which declined to break out its sales separately).

[3] Excludes sales from Home Quarters Warehouse, which Hechinger purchased in December for $66 million. HQ's numbers are listed separately

[4] Was taken private as part of a leveraged buyout of Supermarkets General, Rickel's parent, by SGC management.

[5] Was taken private by its management April 1988.

[6] Includes sales from 18-unit Forest City, which Handy Andy purchased in January 1987 for $48 million.

[7] Includes sales from PK Home Centers, which Erb purchased in 1986.

[8] Diamond and its parent, Michigan General, filed Ch. 11 in May 1987.

[9] Represents only those sales of hardware and home improvement products sold by Agway's stores stocking these products.

[10] Boise Cascade's remaining 19 stores were sold in an LBO to BMC West Corp., comprised primarily of Boise managers and the investment firm McCown DeLeeuw.

[11] Represents total volume for Andersons' stores. Company declined to break out home improvement sales, which, by *NHCN* estimates, make up at least 75 percent of its volume.

[12] Excludes sales from Westlake's Lone Star Hardware subsidiary, which are listed separately.

[13] Includes sales of 21 Lindsley Home Center stores, which were acquired from Asset Holding Corp. in September.

[14] Was purchased by Hechinger for $66 million in December.

[15] Purchased by The Strober Organization in 1987.

[16] In early 1988, Ray Lumber began liquidating its operations, closing two of its stores and putting the third on the block.

Perspectives

Leading % Sales Gainers

Company	Sales 1986	Sales 1987	% Change 1986-1987
Handy Andy	150	325	117
Builders Square	700	1,400	100
Triangle Building Centers	36	60	67
Fairfield Lumber	27	42	56
Fagen's	42	63	50
LaValley Building Supply	25	36	44
The Home Depot	1,011	1,450	43
HomeClub	460	650	41
William M. Young	25	35	40
Mr. Goodbuys	100	138	38
Boise Cascade	90	120	33
Hancock Co.	45	60	33

Source: *NHCN* research

LOWE'S
Building Materials Center

Lowe's closed 16 units in the Oil Patch last year and converted this unit in Tulsa, Okla., to a contractor yard.

NHCN photo

Lowe's closes units, moves to boost margins

By an NHCN staff editor

NORTH WILKESBORO, N.C. — After more than two years of watching sales from stores in the Oil Patch slow to a trickle, Lowe's—the industry's largest home improvement chain—decided to close 16 stores in Dallas-Fort Worth, Oklahoma, Georgia and South Carolina.

The move surprised few people, least of all stock analysts, who had been forewarned of the January 1988 closings at a September meeting with Lowe's ceo Robert Strickland.

"I don't know why they didn't do it sooner," mumbled one satisfied analyst after the meeting in New York.

Wall Street Lowe's watchers had been agitating for some time about the need to close the oil patch stores, and their increasingly negative research reports reflected their concern.

> Despite a bumpy year, Lowe's finished 1987 with a 17 percent net earnings increase.

But the rumblings on Wall Street were only one of Lowe's worries.

Strickland admitted that margins were sagging in the chain's 150 smaller stores. To combat the problem, the company launched a remerchandising program called "Rack and Roll."

Using eight-foot racking and gondolas, the idea was to move as much merchandise as possible out of the warehouse and onto the sales floor.

"We'll stack it as high as our ceilings will allow," Stickland said.

At a cost of $50,000 per store, he estimated the plan could increase sales by $1 million to $1.5 million per unit.

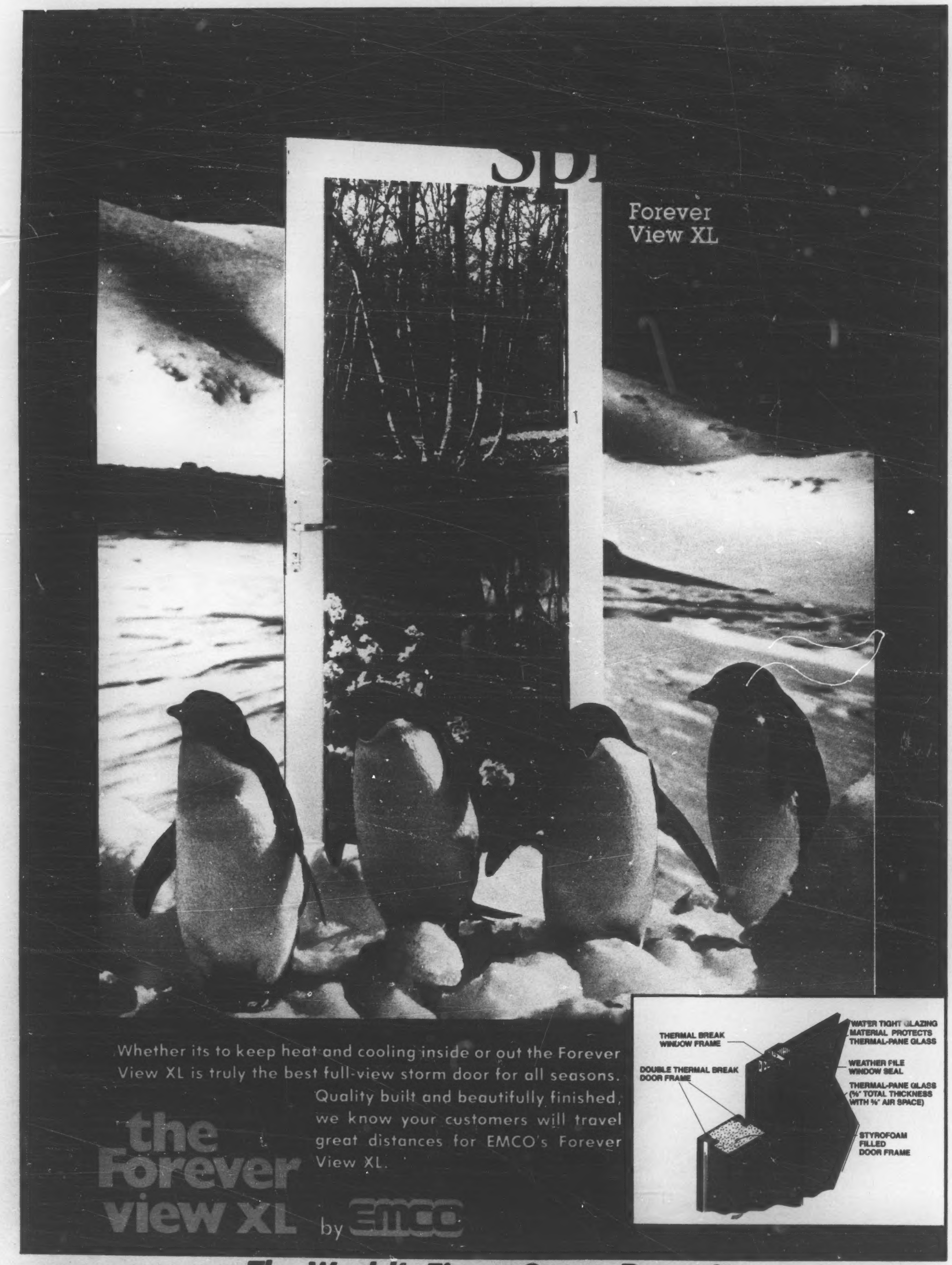
Lowe's also moved to provide more information to customers. Paint displays, for instance, now feature color coding, coordinated with paint brushes, so customers can select the proper brush for paint without a salesperson's help. Other point-of-sale information was also made more detailed.

Despite a bumpy year, Lowe's finished 1987 with a 7 percent net earnings increase. Earnings were $61.2 million on sales of $2.44 billion from 300 units.

The company would have had an even stronger showing were it not for a 94 percent drop in net earnings in the fourth quarter.

Net earnings were $648,000 for the quarter, on sales of $502.4 million.

The drop came from a $9.8 million charge for closing the Oil Patch stores and a $1.2 million last-in, first-out inventory charge.



Sp
Forever
View XL
THERMAL BREAK WINDOW FRAME
DOUBLE THERMAL BREAK DOOR FRAME
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WEATHER FILE WINDOW SEAL
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THE 1987 *NHCN* HOME CENTER RETAIL LEADERS

The 1987 *NHCN* Top 100 in DIY Sales

DIY Rank	Company	DIY Sales 1986 (Mil. $)	DIY Sales 1987 (Mil. $)	% Change	% DIY 1987	Total Stores 1987
1	Payless Cashways	1,375	1,646	16	93	195
2	Lowe's Cos.	1,256	1,391	10	57	295
3	Wickes Cos.	1,170	1,376	15	64	376
4	The Home Depot	859	1,233	30	85	75
5	Builders Square	455	980	54	70	118
6	Grossman's	806	862	6	80	258
7	Hechinger	588	725	19	100	79
8	HomeClub	460	650	29	100	36
9	Channel Home Centers	544	544	0	75	180
10	Sutherland	484	508	5	80	83
11	Menard's	383	502	24	85	38
12	Rickel	416	466	11	100	49
13	Pay 'N Pak	398	429	7	100	100
14	Scotty's	340	354	4	67	141
15	Handy Andy	147	319	54	98	44
16	Pergament Home Centers	260	300	13	100	40
17	Central Hardware	270	300	10	100	35
18	Ernst Home & Nursery	250	260	4	100	70
19	84 Lumber	410	164	−150	20	361
20	Lanoga	161	162	0	50	127
21	National Lumber	150	159	6	100	20
22	Erb Lumber	125	144	14	50	44
23	West Building Materials	130	142	8	50	68
24	Carter-Jones Lumber	116	133	13	55	146
25	McCoy's	134	133	− 1	70	80
26	Mr. Goodbuys	95	131	28	95	13
27	Wolohan Lumber	103	117	12	51	42
28	Westlake Hardware	73	83	12	92	46
29	Lloyd Home & Building Ctrs.	74	83	11	75	34
30	Valu Home Centers	76	81	6	100	25
31	Stambaugh-Thompson	69	78	12	100	20
32	Courtesy Home Centers	70	75	7	100	6
33	Lone Star Hardware	70	75	7	100	28
34	ACO	72	75	3	85	64
35	Busy Beaver	62	67	7	95	14
36	Aubuchon Hardware	62	66	6	90	135
37	Home Quarters Warehouse	55	65	15	100	9
38	Eclipse Industries	57	65	12	98	8
39	Foxworth-Galbraith	62	64	3	58	51
40	Lampert Lumber	55	64	13	70	44
41	Chase-Pitkin	56	63	11	95	11
42	Dixieline	42	61	31	53	9
43	Neiman-Reed's Lumber City	54	57	5	95	10
44	P.F. O'Connor	44	56	20	60	10
45	Goodman's Lumber	51	53	4	100	4
46	Church's Lumber	44	47	7	70	16
47	Diamond Lumber	68	47	− 45	20	63
48	National Hardgoods Dist.	36	46	22	100	31
49	Yardbirds of California	38	45	15	98	6
50	Hill-Behan Lumber	45	45	0	50	34
51	Triangle Bldg. Ctrs.	27	45	39	75	5
52	Meeks Building Centers	38	44	15	40	24
53	Copeland Lumber Yards	40	44	9	40	75
54	Edward Hines Lumber	40	40	0	40	24
55	Plywood Minnesota	36	36	0	95	12
56	The Andersons	0	34	100	34	6
57	Western Lumber	30	34	10	50	10
58	City Mill	28	33	14	91	5
59	Wolf Organization	25	32	21	40	28
60	Brown-Graves	13	32	60	45	5
61	National Home Center	28	32	11	45	6
62	O'Malley's	39	30	− 28	30	13
63	Boise Cascade	18	30	40	25	18
64	All American Home Center	28	30	7	100	1
65	Henry Bacon Building Materials	24	29	19	55	6
66	Gerrity Building Centers	17	29	41	15	18
67	The Paty Co.	25	29	12	55	6
68	Williams Brothers	21	28	25	35	9
69	Hancock Co.	21	28	25	46	8
70	General Building Products	22	27	20	40	7
71	Anderson Lumber	25	27	7	30	22
72	Curtis Lumber	20	26	25	45	8
73	Seigle's Home & Building Centers	20	26	23	35	6
74	Alexander Lumber	20	26	22	30	53
75	M.G. Building Materials	25	25	0	50	4
76	O. B. Thompson	25	25	0	83	8
77	Hacienda Home Centers	23	25	6	100	6
78	Lezzer Lumber	24	24	0	50	6
79	Builderama	20	24	15	82	9
80	Rigg's Supply	28	23	− 19	60	8
81	Woodbury and Sons	16	22	26	50	8
82	Braver Lumber	26	22	− 22	80	11
83	Star Lumber	23	21	− 6	47	3
84	Lumber Headquarters	18	20	11	80	13
85	Lampert Yards	18	20	9	45	29
86	M.L. Claster & Sons	17	20	15	50	11
87	Bellevue Builders Supply	17	19	9	34	1
88	Elk Supply	20	18	− 9	80	17
89	Levy's Building Centers	21	18	− 19	80	4
90	Spahn and Rose Lumber	16	18	11	65	24
91	Conklin & Strong	14	17	14	75	7
92	Seacoast/Pelican Building Centers	15	17	9	22	11
93	T.H. Rogers Lumber	17	16	− 3	65	31
94	Fagen's	15	16	7	25	14
95	TAPJAC Co.	16	16	0	60	14
96	Stacy Building Materials	17	16	− 8	60	7
97	Sackett & Peters	26	15	− 73	100	1
98	Jaeger Lumber	13	15	15	57	5
99	Cramer's Building Centers	13	15	14	70	7
100	Cox Lumber	13	15	12	22	13
TOP 10 TOTALS AND AVERAGES		7,997	9,914	18	80	1,695
TOP 25 TOTALS AND AVERAGES		11,684	13,879	8	78	3,058
TOP 50 TOTALS AND AVERAGES		13,216	15,584	8	80	3,791
TOP 100 TOTALS AND AVERAGES		14,313	16,851	10	67	4,438

Wickes tops $2 billion mark in turbulent year

By an NHCN staff editor

SANTA MONICA, Calif. — One would have thought that nothing could have topped 1986 for Wickes Cos., which that year went on an acquisition binge and attempted to take over National Gypsum and Owens-Corning Fiberglas.

But 1987 was equally tumultuous for Wickes and its home center chains—Builders Emporium, Ole's, Orchard Supply Hardware and Wickes Lumber—which collectively generated the second highest retail sales in the industry, $2.15 billion out of 376 stores.

Wickes started the year closing its deal to acquire Collins & Aikman. And it ended 1987 with Wickes Lumber's management attempting to buy out the 225-unit chain based in Vernon Hills, Ill.

In between, Wickes' bottom line was adversely affected by liabilities incurred by its carpeting division; BE hired a new president but lost other corporate managers due to restructuring; the company's British subsidiary and its Sequoia Supply wholesale division were sold off to their respective managements; and Wickes' Orchard chain continued to be one of the industry's strongest hardlines retailers, with sales that exceeded $200 million from 29 stores.

> Last spring, when Wickes sold off its International division and its Sequoia Supply commodities distributor, it was sending a message to the industry that its efforts and assets would be be directed primarily at developing and expanding its U.S. home improvement chains.

Last spring, when Wickes sold off its 54-unit International division for $155 million and its 33-warehouse Sequoia Supply commodities distributor for an undisclosed amount, it was sending a message to the industry that its efforts and assets would be be directed primarily at developing and expanding its U.S. home improvement chains.

And it appears that Wickes wants to capture a level of geographic dominance in the West, as it sold off to Westlake Hardware a number of the units in the South it acquired when it bought W.R. Grace's western home center division in 1986. The surprise move, though, was Wickes' announcement late last year that its Wickes Lumber division was on the block because its

(Continued on page 37)

Biggest $ Sales Losers

Company	$ Mill. Sales 1986	Sales 1987	$ Mill. Loss
Diamond Lumber, Dallas	338	233	−105
O'Malley's, Phoenix.	129	101	− 28
Sackett & Peters, Whittier, Calif.	26	15	− 11
Calcasieu Lumber, Austin, Texas	32	23	− 9
Stripling Blake Lumber, Austin, Texas	32	23	− 9

Source: *NHCN* research

Top $ Sales Gainers

Company	$ Mill. Sales 1986	Sales 1987	$Mill. Increase
Builders Square	700	1400	700
The Home Depot	1011	1450	439
Payless Cashways	1528	1770	242
Wickes Cos.	1950	2150	200
HomeClub	460	650	190

Source: *NHCN* research

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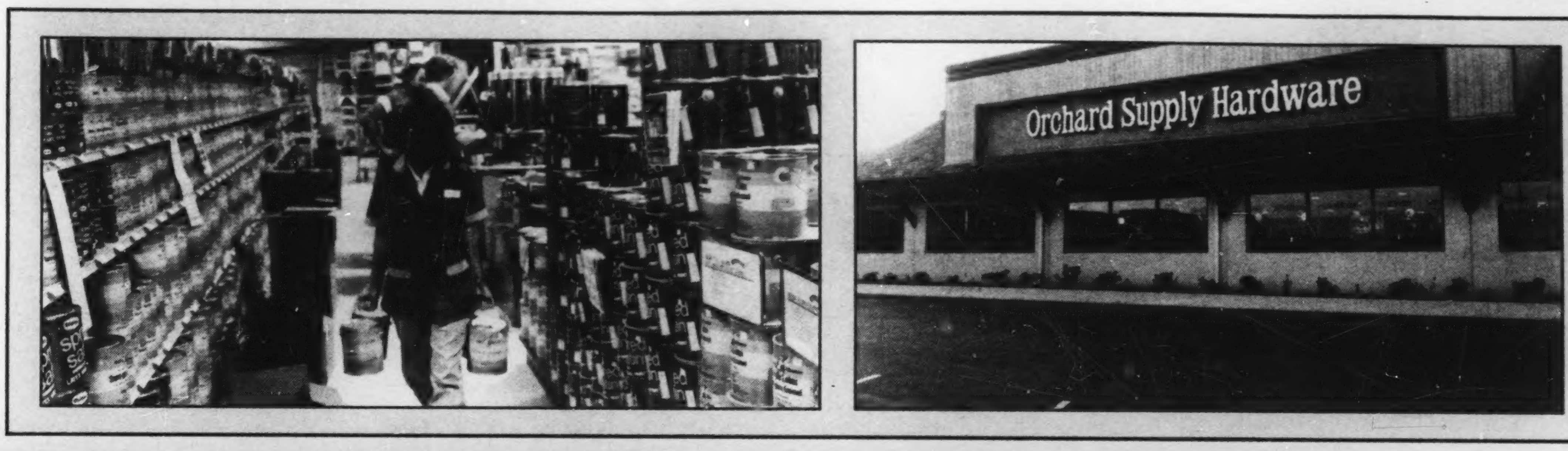

Wickes' Orchard chain continued to be one of the industry's strongest hardlines retailers last year, with sales that exceeded $200 million from 29 stores.

NHCN photos

Wickes puts assets behind home centers

(Continued from page 36)

contractor sales mix made its business more cyclical than Wickes wanted.

The division's general manager Les Hagen and a group of Wickes Lumber's management mounted a leveraged buyout for the $1.2 billion chain, only to be thwarted by their failure to raise adequate financing, estimated by some analysts to be between $250 million and $350 million.

On April 21, though, the managers were able to raise the financing and signed a letter of intent to purchase Wickes Lumber for $320 million.

At BE, chain president Jack Edwards was charged with integrating the Ole's stores Wickes had bought from Grace into BE's operations. To that end Edwards brought in Ted Kazleman, the former president of Heck's, to fill the new position of senior vp-marketing.

However, as it "streamlined" its operations, a number of key management executives either resigned from BE or were fired. Senior vp-operation Max Clark left the chain after it restructured last summer. And this "trend" has not abated in 1988: Dave Cullen, BE's vp-store operations, resigned in March. Last month Dennis Albert was promoted to vp-gmm.

A facet of this restructuring also took the form of BE signing a 10-year lease on a 127,000-square-foot headquarters in Irvine, Calif., which it moved into last summer.

At Orchard, a greater emphasis was placed on lawn and garden merchandise to attract a larger base of female shoppers. This program included the hiring of professional nurserymen and a special information center.

Wickes' attention to its retail operations, though, was distracted by the ongoing problems it had with Collins & Aikman's carpeting division. It was forced to take an $11 million charge against earnings to cover anticipated liabilities from C&A's carpet product, which did not meet certain flammability standards.

However, Wickes Cos.' corporate net income soared to $180.5 million in the latest fiscal year, compared to $83.6 million for the previous 12 months.

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Perspectives *annual census/retailers*

Payless makes moves to boost performance after tough year

By an NHCN staff editor

KANSAS CITY, Mo. — Payless Cashways, the industry's third largest chain, had a tough year in 1987.

Most significant, in the short term, was the company's fourth quarter charge of more than $12 million, $7.8 million of which was laid to costs associated with 1987 store closings in Houston, El Paso, Texas, and Kansas City, Mo., and the shuttering of two distribution centers.

Much of the rest of the charge was attributable to changes in the company's credit card management.

Although sales for 1987 rose 15.9 percent to $1.8 billion, the special charge drove net income down 33.6 percent to $13.6 million. (Without the charge, Payless would have posted a 1.7 percent decline in net income.)

To take the charges during 1987, Payless' chairman David Stanley explained, would "provide benefits to the company . . . in the near and long-term future."

Payless' income has been flat since 1983, so the company took bold steps last summer by consolidating its merchandising and marketing departments, and placing that unit under the supervision of senior vp Dale Pond. In the corporate reshuffling long-time Payless employee and senior vp-operations/systems Larry Koeppen, and senior vp-merchandising John Breedlove, resigned.

The chain is also crossing its fingers that there is improvement in the economies of Texas, Oklahoma, and Colorado, where the chain has more than 36 percent of its units. Stanley said those states delivered just 40 percent of profits they did in 1986.

Same store sales across the chain—which operates stores under the names Payless Cashways, Lumberjack, Hugh M. Woods, Somerville Lumber and Knox Lumber, rose just 2.9 percent—reflecting increased sales since the second quarter when Payless saw margins erode to 30 percent from the previous year's 30.7 percent.

In opening a total of 12 units last year, five in new markets, Payless debuted its "customer friendly" Cash Warehouse concept in March in Amarillo, Texas. Half of the 50,000-square-foot prototype is traditional gondola merchandise with the second half containing a lower-racked and finished presentation commodity warehouse including large and bulky items. Payless closed the year with a total of 194 in 23 states.

Payless stock (NYSE-PCI) traded from a high of $26⅞ to a low of $11⅛.

Last summer, asserting the defense of its credit customers, Payless filed suit in June against Mercantile Bank of St. Louis, Mo., administrator of its private-label charge card. Last year, all charge card sales accounted for 22 percent of the retailer's sales.

Payless alleged Mercantile tightened controls on issuing the consumer credit cards in violation of its previous agreement. Mercantile and Payless settled out of court. It cost Payless $2.2 million (in the special charge) to switch accounts to General Electric Credit Corp., and—estimates the *Kansas City Business Journal*—it cost Mercantile $140 million in lost Payless business.

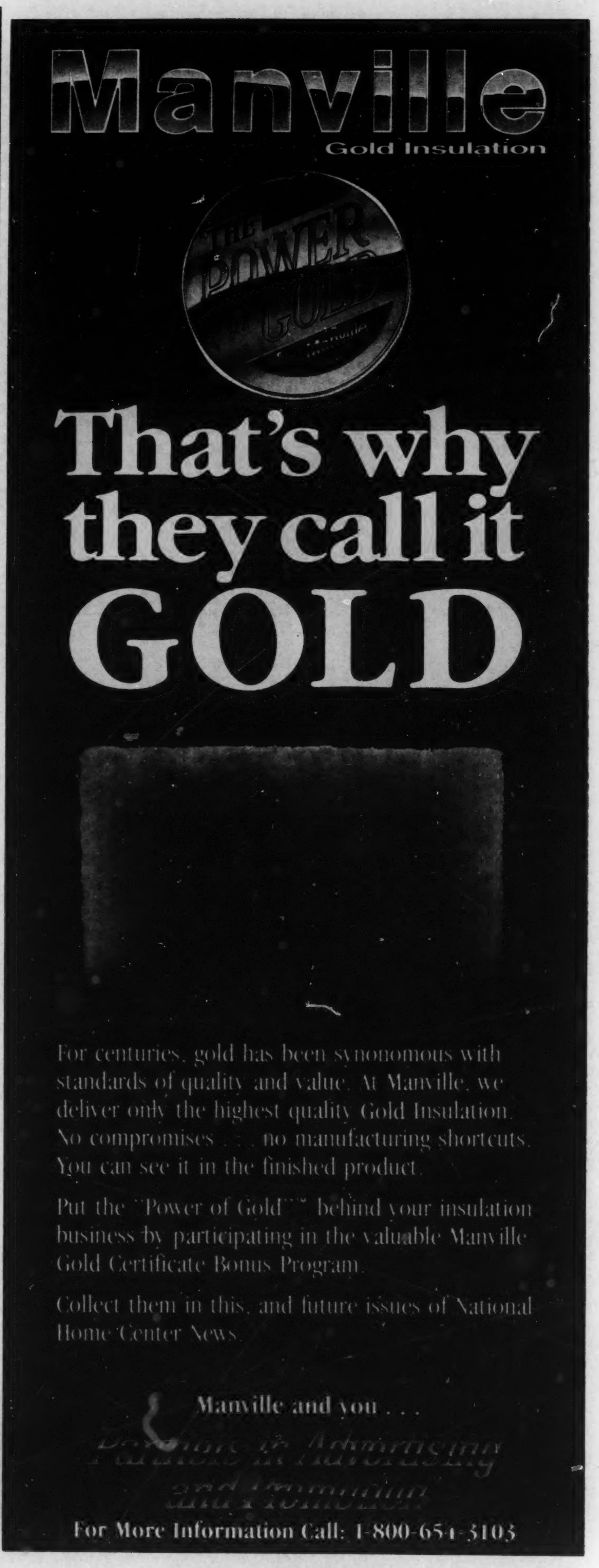
Another loss for Payless was the death of its founder, Vernon Furrow, from a heart ailment on April 17, 1987. The 78-year-old Furrow opened the lumberyard in Pocahontas, Iowa, in 1930 that was the genesis of the company. He retired from the company in 1971 and from its board in 1984.

Biggest $ Sales Losers

Company	$ Mill. Sales 1986	$ Mill. Sales 1987	$ Mill. Loss
Diamond Lumber, Dallas	338	233	−105
O'Malley's, Phoenix.	129	101	− 28
Sackett & Peters, Whittier, Calif.	26	15	− 11
Calcasieu Lumber, Austin, Texas	32	23	− 9
Stripling Blake Lumber, Austin, Texas	32	23	− 9
Martin Home Centers, Alexandria, La.	23	16	− 7
Ray Lumber, Phoenix, Arizona.	37	30	− 7
Mayfield Building Supply, Arlington, Texas	30	25	− 5
Foxworth-Galbraith, Dallas	115	110	− 5
Alamo Lumber, San Antonio, Texas	26	22	− 4
Kempsville Lumber, Virginia Beach, Va.	38	34	− 4
Daniels-McCray Lumber, Kansas City, Mo.	27	24	− 3

Source: *NHCN* research

Payless Cashways lost its founder, Vern Furrow, this past year to a heart ailment. The 78-year-old Furrow opened the lumberyard in Pocahantas, Iowa, in 1930 that was the genesis of the company. He retired from the company in 1971 and from its board in 1984. In other company news, Payless is crossing its fingers that there is improvement in the economies of Texas, Oklahoma, and Colorado, where the chain has more than 36 percent of its units. Pictured is a Payless unit in Tulsa, Okla.



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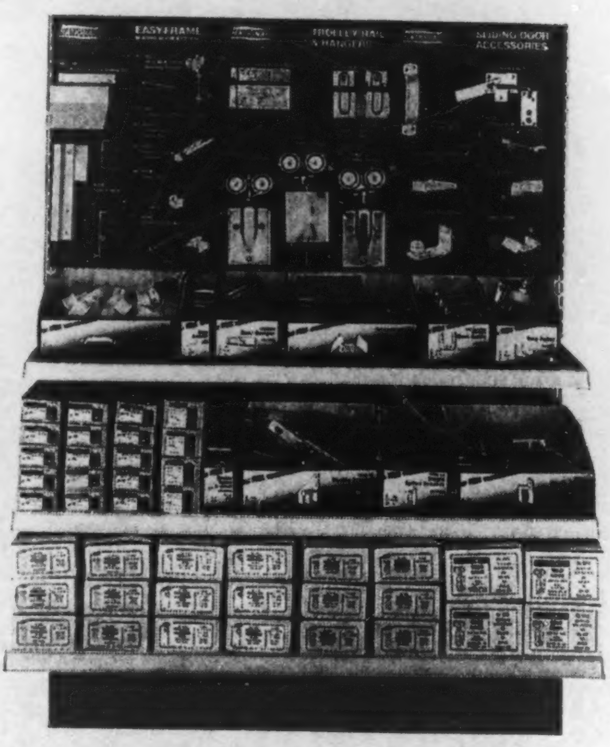

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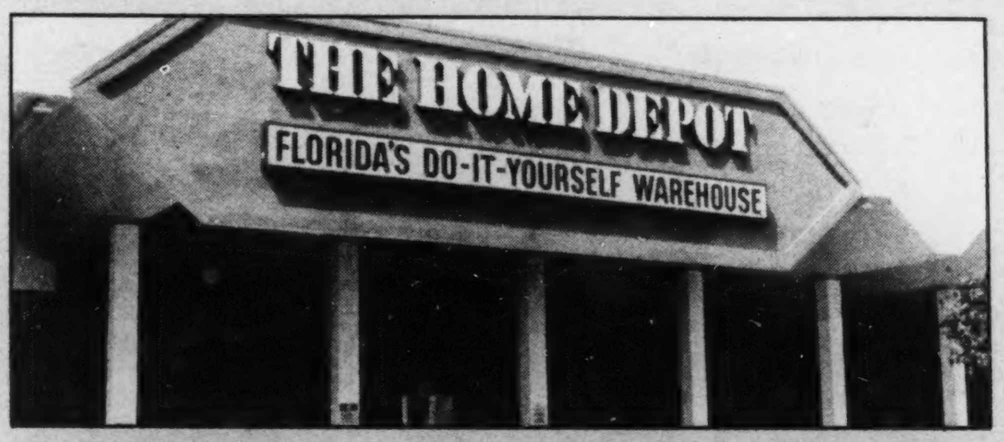


The Home Depot's earnings exploded in 1987, rising more than 87 percent to $54 million. NHCN photo

Home Depot posts healthy gains as competitiveness intensifies

By an NHCN staff editor

ATLANTA — The Home Depot had modest store growth in 1987 and still shied away from opening in a Northern market. But revenues and earnings rose spectacularly and its competitiveness intensified.

Home Depot's revenues jumped 43 percent in 1987 to $1.45 billion. Its revenue increase was second only to Builders Square among the top 10 chains. More impressive was Home Depot's 20 percent comp-store sales growth.

And on the net income side, the company's earnings exploded by more than 87 percent to $54.09 million.

The bulk of Home Depot's expansion was in existing markets in the South and the Southwest. Analysts suggested that one reason the Home Depot avoided Northern markets in 1987 was its reluctance to compete against chains equally as strong, most notably Hechinger.

However the chain, which is expected to open 24 stores in 1988, has already announced plans to enter the New York metropolitan market, initially with a store in East Hanover, N.J., and one in North Haven, Conn.

It opened its sixth unit in the pressure-cooker Los Angeles market, supported by an aggressive advertising blitz that blasted the HomeClub. In a campaign asking "Why shop at the ugly warehouse where you have to use those ugly and costly cards to save money," the Home Depot ripped the HomeClub's television promotions. In those ads, the HomeClub referred to itself as "ugly warehouses with beautiful prices."

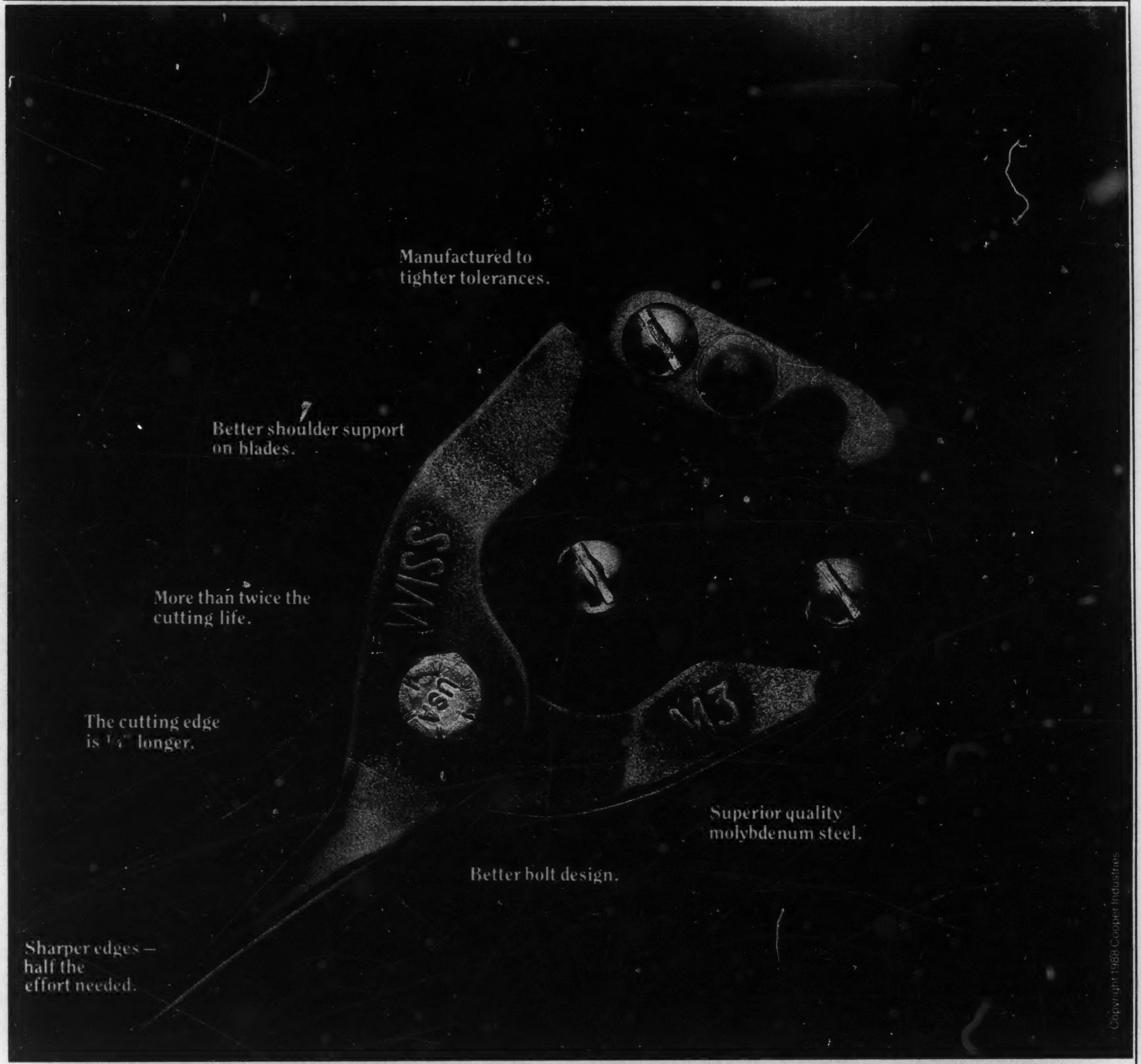
Another sign of a tougher Home Depot was unveiled at the beginning of the year when arch rival, Builders Square, announced its intention of moving into Atlanta.

Although it took the K mart subsidiary nearly seven months before it opened a store in Atlanta, Home Depot did not shudder over the Builders Square challenge in its own backyard. When asked to comment on Builders Square's arrival in its home port, Arthur Blank, president, said: "We're going to give them a Home Depot welcome and you can put welcome in quotation marks."

Ironically, the big winners in the battle between the warehouse giants in Atlanta seemed to have been the independents. Many companies reported that with each warehouse chain spending enormous sums on print and broadcasting promotions, shoppers came out of the woodwork and spent money among smaller operations as well.

One of the more dramatic developments for Home Depot in 1987 was in its executive ranks. Late in the year, the company hired John Breedlove as manager of special projects. Breedlove had been senior vp-merchandising for Payless Cashways, a post he resigned from last August.

But both Builders Square and the Home Depot suffered the kind of tragedy retailers dread: Children were killed as a result of injuries sustained in the stores. In the case of the Home Depot, a 7-year-old boy died from injuries he incurred in a Perrine, Fla., unit when a shopping cart filled with sheets of plywood fell on top of him. The Home Depot was later named the defendant in a $20 million lawsuit.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Economy puts damper on specialty sales

By Gary S. Ruderman

All but the largest specialty retailers saw flat sales growth last year, and their officials blamed the economy or a realignment of their core business.

"It was an okay year considering the economic climate," said Tom Fields, vp of the five-unit Dallas-area Yardbirds plumbing and electrical speciality store chain with $6 million in sales. "Others consider it a successful year" given the economic climate.

NHCN, as part of its annual Census this year, has broken out data for 19 key specialty operators in several product categories.

Sherwin-Williams, the market-dominant Cleveland-based paint chain, boosted sales 13 percent to more than $1.1 billion and its store count 6 percent to 1,829. Its main rival Glidden, also in Cleveland, had similar numbers: a 13 percent sales hike and 7 percent growth in store count.

Where Both Glidden and Sherwin-Williams rely on 70 percent to 80 percent contractor sales and each had double-digit sales increases, Standard Brands Paint, the California-based retailer which gets 85 percent of its volume from DIYers, showed just a 3 percent growth in sales. Standard Brands closed three of its 15,000-square-foot units last year.

One change last year in the specialty paint sector was the retail-store departure of Pittsburgh Paints. It closed out about 140 units around the country so that paint it sold in its stores was no longer competitive with the paint it sold to specialists like the 12-unit Aboff's Paint and Wallcoverings.

"We were able to bring in another national brand [PPG] for a company who needs market share," said Rodney Aboff, president of the Huntington, N.Y., chain. The new line, in addition to the Benjamin Moore label, boosted Aboff's paints and wall coverings' sales 17 percent over 1986 to $6 million.

Paint specialty retailers anxiously await what Sears plans to do with its Paint & Hardware chain, which grew to 70 units in 1987. Sears last year developed a special division to expand this operation.

In the lawn and garden sector, the 247-unit Frank's Nursery & Crafts found consumers spending regardless of the economy.

"Even when people are laid off, they work on their homes," explained Walter Rogers, director of corporate communications for General Host, parent of the Detroit-based Frank's. Sales for the fiscal year 1987 ending Jan. 31 were up 19 percent to $396 million, all from DIY sales, Rogers said. With its FlowerTime retail shops, the chain grew 12 percent in store count last year to 247.

In floor coverings, New York Carpet World, based in Southfield, Mich., felt the decline in orders for new homes in 1987 but not a decline in overall sales, according to ceo Marvin Berlin. Berlin believes the now 99-unit chain took sufficient sales away from home centers and other outlets to boost sales. The chain increased its skus by 10 percent last year.

The only major player to cut back last year in store count was Color Tile, the Fort Worth, Texas-based tile chain. It closed 10 of its 4,500-square-foot units in 1987, reducing the total stores to 830 last year, according to the managing partner of Color Tile's holding company, Knoll International Holdings.

Color Tile enjoyed a robust 17 percent sales increase to $488 million in 1987.

Smaller operators were "satisfied" with 1987 results, but there were no bursts of celebration. "We're doing well in relation to the local economy," joked Lawrence Siegel, president of Dallas' five-unit Plumbing Mart. Sales stayed flat around the $2 million mark in both years for the speciality retailer. Plumbing Mart offers 8,000 stockkeeping units, but only 5,000 are stocked in the company's 4,000-square-foot stores.

Yardbirds, the plumbing specialty dealer, trimmed 2,000 items from its 11,000-sku inventory. The remerchandising and an upturn in the Dallas-area economy should boost two years of flat sales at $6 million, Fields said.

FCS Distributors, parent franchisor to the decorative 42-unit Floor to Ceiling Stores, finished the year with an estimated $49 million in sales, flat with 1986 totals, according to new president Roger Graham.

Graham said Floor to Ceiling stores were in the process of cutting in-store skus in favor of special-order merchandise. Four-fifths of the FCS' sales came from custom installation of products purchased from the stores.

There was a similar story at Wallpapers to Go, the Pleasanton, Calif.-based chain of 93 units. While posting a 12 percent increase in sales from core wall coverings, sales were flat at $47 million in 1986 and 1987.

Wallpapers president Max Fratto said in 1987 the chain repositioned its merchandising mix of 1,200 skus, stripped away ancillary bath, kitchen and dining room accessories.

In tool retailing, the 34-store U.S. General increased its volume around 14 percent to $40 million, by *NHCN* estimates. The seven-unit Tool King in Denver and Toolathon, the now eight-unit Totowa, N.J., chain, said sales were up marginally. Andy Passman, president of Toolathon, said its 75 percent contractor base shops the units for higher quality lines, boosting sales to $6.5 million versus $6 in 1986.

However, an indication of how tough the specialty market is now was evinced when Toolathon filed for Chapter 11 Jan. 25, 1988. Last month, Window Depot, a Long Island, N.Y., dealer battling in the highly competitive millwork market, also filed for bankruptcy only weeks after opening its sixth store.

A SAMPLING OF THE INDUSTRY'S LEADING SPECIALTY OPERATORS

	Sales	(in $ Mil.)	***Stores***		
Company (HQ City)	**1987**	**1986**	**1987**	**1986**	***Sq. Ft.***
Sherwin-Williams Cleveland	1,150	1,009	1,829	1,719	5,200
Color Tile Fort Worth, Texas	488	416	830	840	4,500
Franks Nursery and Crafts Detroit	396	322	247	218	32,500
Glidden Cleveland	340	300	300	280	1,500
Standard Brands Torrance, Calif.	305	297	134	137	15,000
New York Carpet World* Southfield, Mich.	310	280	99	94	15,000
Sears Paint & Hardware* Chicago	125	NA	70	NA	3,500
Floor to Ceiling Rochester, Minn.	49	49	42	41	22,000
Wallpapers To Go Pleasanton, Calif.	47	47	93	87	5,000
U.S. General Plainview, N.Y.	40	35	34	30	5,000
Window World Merrick, N.Y.	35	30	21	18	7,500
Window Rama* Deer Park, N.Y.	32	27	25	22	4,000
Capitol Lighting East Hanover, N.J.	25	25	9	9	15,000
Broadway For Your Home* Kansas City, Mo.	15	13	2	2	36,000
Tool King Denver	8	6	7	7	4,000
Aboff's Paints And Wallcoverings Huntington, N.Y.	6	5	12	11	3,500
Yardbirds Irving, Texas	6	6	5	5	12,000
Toolathon** Totowa, N.J.	4	3	8	7	3,300
Plumbing Mart Dallas	3	2	5	5	4,000

**NHCN estimates.*

***The company filed for Chapter 11 in January 1988.*

Sources: company officials, *NHCN* estimates

NHCN chart

A number of specialty retailers—Color Tile, Frank's Nursery, Glidden—had strong sales gains in 1987. But for most specialty dealers, last year produced only marginal growth in both sales and store count.

GUARANTEE
HOME DECORATING CENTER

Standard Brands Paint, the California-based retailer which gets 85 percent of its volume from DIYers showed just a 3 percent growth in sales. Standard Brands also closed three of its units last year.

NHCN photo

Builders Square doubles sales, continues rapid store growth

Builders Square's sales doubled in 1987 while the chain added opened 31 stores. Pictured are Charles Blanton (r) and Don Meyers (l) who are contractors in the Detroit market. NHCN photo

By an NHCN staff editor

SAN ANTONIO, Texas — A nice even 100 percent.

That's how much Builders Square's sales jumped over 1986. The chain's sales growth—from $700 million to $1.4 billion—was second only to Handy Andy's sales increase of 117 percent.

"It was a good year; you can say that we were on target," said Jud Walford, executive vp.

But last year was probably even more significant for the industry's newest entrant to the billionaire's club. The K mart subsidiary purportedly made a profit last year, though K mart would not break the figure out and Builders Square officials would not comment.

Opens 31 stores

Builders Square continued its rapid unit growth last year, opening 31 stores in virtually every region of the country (with the exception of the Pacific Northwest and New England) to end the year as a 118-unit chain. In so doing, Builders Square acquired some noteworthy statistical descriptions: It's the fifth largest chain in industry sales; the seventh largest in store count and the fourth biggest employer in the industry with 11,000.

Builders Square began the year with a little drama when it announced its intention of invading the home base of Home Depot in Atlanta. This represented the first time consumers would have an alternative for warehouse shopping in Atlanta since the format was born and unveiled there in 1979.

In August, when Builders Square did open in Atlanta, appropriately enough with its 100th unit, it came looking for a fight. In a preopening ad blitz, Builders Square openly challenged: "Home Depot, we dare you to step outside with us." Later, the company ran promotions that told Atlanta's shoppers that they had been paying too much money for home improvement products for too long.

Enticed by Atlanta

Despite the aggressive advertising, company executives maintained that it was not Home Depot that attracted Builders Square to Atlanta. They said the strong retail performance in Atlanta and the city's demographics were more enticing.

But Frank Denny, Builders Square's founder and president, acknowledged that with the exception of Florida, Atlanta was the only market the company had ever entered where there existed a "well-entrenched, peer group competitor."

For independents in Atlanta, the slug fest between Builders Square and the Home Depot proved to be a boon for business, many of them insisted.

Nineteen eighty-seven was also the year Builders Square began to invest in state-of-the-art retail technology. With only seven buyers through most of 1987, the company began to take the first steps towards automating and simplifying its buying and internal communications systems.

While much of what the company envisioned would not materialize until the ensuing year, company planners outlined last year the intention to develop its own satellite communications and to have its merchandise, even lumber and building materials, bar coded.

Like the Home Depot, Builders Square saw a fatality occur in one of its units when a 23-month-old boy died from injuries he sustained in an Aurora, Ill., unit when a pile of lumber toppled on him in March.

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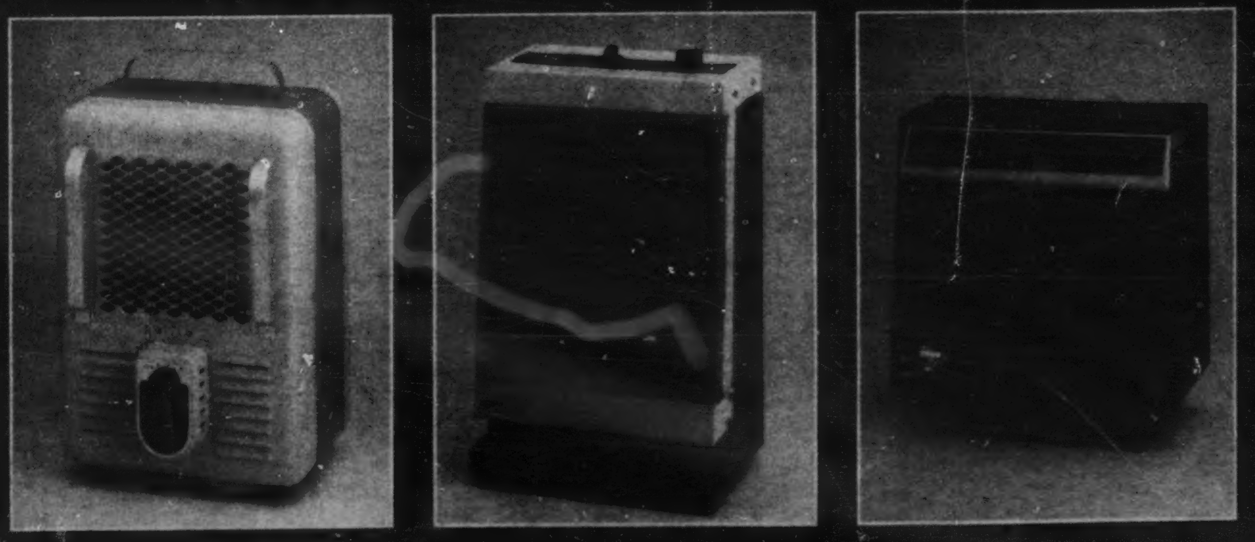

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Perspectives

Grossman's comes back after Ch. 11

By an NHCN staff editor

BRAINTREE, Mass. — With its Chapter 11 bankruptcy behind it, and a new management structure in place, Grossman's moved rapidly ahead during the year.

For the first time in two years, the chain showed a profit. Net income was $12.1 million for 1987, compared with a loss of $72.6 million for 1986 and a loss of $232.8 million in 1985.

Despite that, the retailer slipped one notch on the top retailer list, going from fifth to sixth place. Nevertheless, Grossman's corporate sales from its chains—Grossman's, Moore's, Grossman's West and Bargain Outlets—jumped 7 percent to $1.077 billion.

Last year, the company began a three-year, $75 million store renovation and building campaign. And in June, the chain's Western division opened its first new unit in three years, a membership warehouse.

> Grossman's is probably doing the best job in the industry promoting home improvement projects, and has been particularly adept selling upscale kitchen and bath merchandise.

Opening of the 60,000-square-foot warehouse, with its 15,000-square-foot yard, had been delayed as Grossman's sought to resolve its financial problems.

Grossman's operates three other warehouses in southern California, which carry approximately 7,000 skus, and sell to consumers and contractors.

The Western division also began renovating selected stores in its 32-store operation, part of a three-year, $80 million renovation program company wide.

In the East, Grossman's opened a 34,000-square-foot prototype in Hanover, Mass., a store that symbolizes the chain's intent to be the dominant retailer in the Boston market.

Built at a cost of $3 million, the store stocks 15,000 skus, between 35 and 40 percent more than the average Grossman's. It was the first store opened after Grossman's emerged from Chapter 11.

Grossman's is probably doing the best job in the industry promoting home improvement projects, and has been particularly adept selling upscale kitchen and bath merchandise, with Kohler bath vignettes, custom kitchens, $2,000 exterior doors and $200 imported faucets.

The Moore's division of

(Continued on page 53)

Biggest Store Count Gain

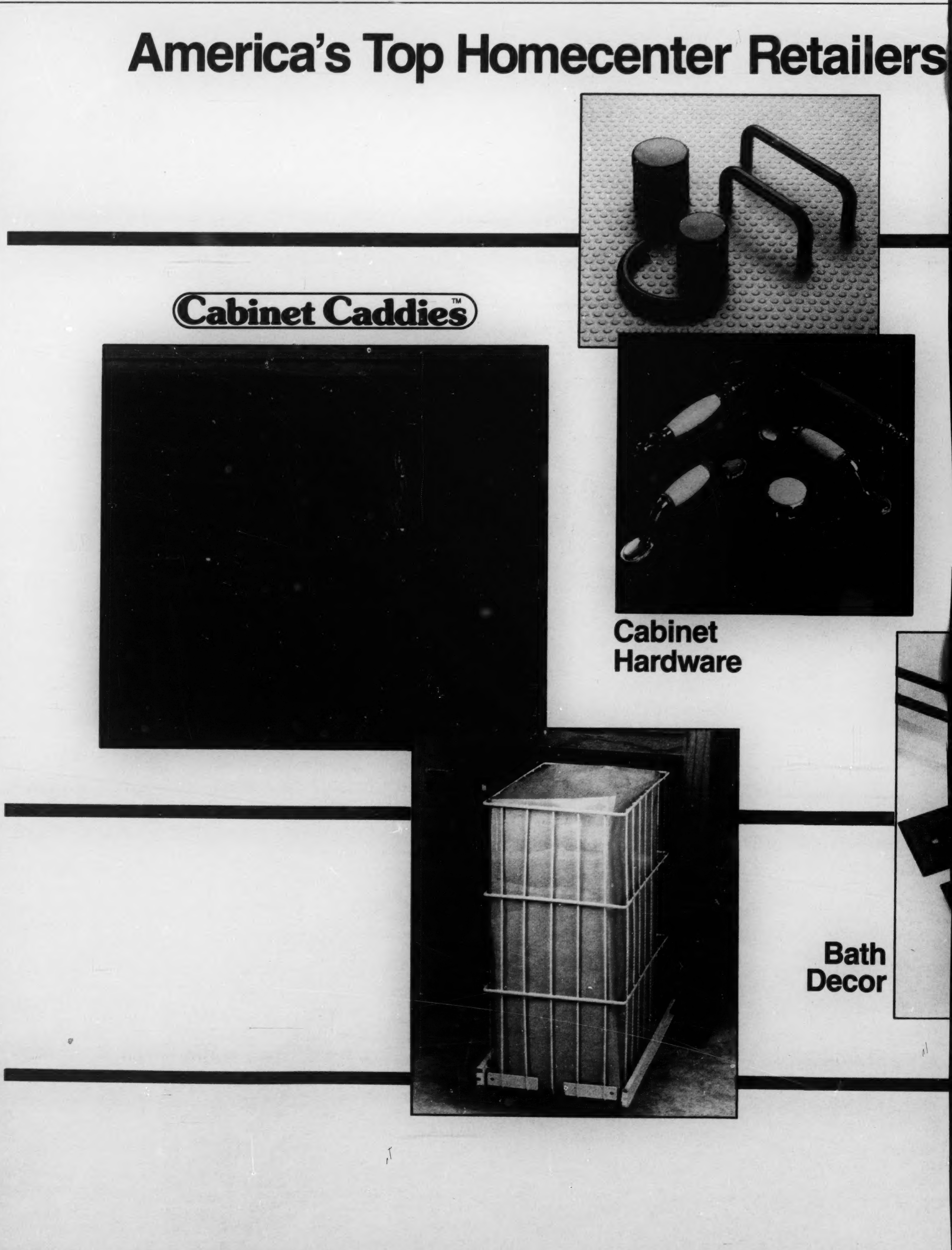
Company	Number of Stores 1986	Number of Stores 1987	Net Gain
Builders Square, San Antonio, Texas	87	118	31
Lone Star Hardware, San Antonio, Texas	0	28	28
Handy Andy, Schaumburg, Ill.	24	44	20
Hechinger, Landover, Md.	61	79	18
ACO, Farmington Hills, Mich.	48	64	16
Payless Cashways, Kansas City, Mo.	181	195	14
The Home Depot, Atlanta.	61	75	14
Scotty's, Winter Haven, Fla.	130	141	11
McCoy's, San Marcos, Texas	72	80	8
Westlake Hardware, Lenexa, Kans.	38	46	8
HomeClub, Fullerton, Calif.	28	36	8
Carter-Jones Lumber, Kent, Ohio	140	146	6

Source: *NHCN* research

Top Store Count Chains

Company	Number of Stores 1986	Number of Stores 1987
Agway, Dewitt, N.Y.	700	700
Wickes Cos., Santa Monica, Calif.	397	376
B4 Lumber, Eighty-Four, Pa.	373	361
Lowe's Cos., North Wilkesboro, N.C.	300	295
Grossman's, Braintree, Mass.	272	258
Payless Cashways, Kansas City, Mo.	181	195
Channel Home Centers, Whippany, NJ	201	180
Carter-Jones Lumber, Kent, Ohio	140	146
Scotty's, Winter Haven, Fla.	130	141
Aubuchon Hardware, Westminster, Mass.	134	135
Lanoga, Redmond, Wash.	135	127
Builders Square, San Antonio, Texas	87	118

Source: *NHCN* research



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Roofing
Store Entrance
Decks
Masonry
Insulation

Grossman's opened a 34,000-square-foot prototype last year in Hanover, Mass., a store that symbolizes the chain's intent to be the dominant retailer in the Boston market.

Grossman's comes back after Ch. 11

(Continued from page 52)

Grossman's, an 83-store chain based in Roanoke, Va., saw a management reshuffling in July. The changes were apparently due in part to the resignations of Rob Roy, former vp-operations and Jim Schaffer, former vp-merchandising. The company moved in one of its long-time executives, Norman Darrer, who returned to Grossman's after an unfortunate "hiatus" running the now-defunct Mr. HOW Warehouse operation.

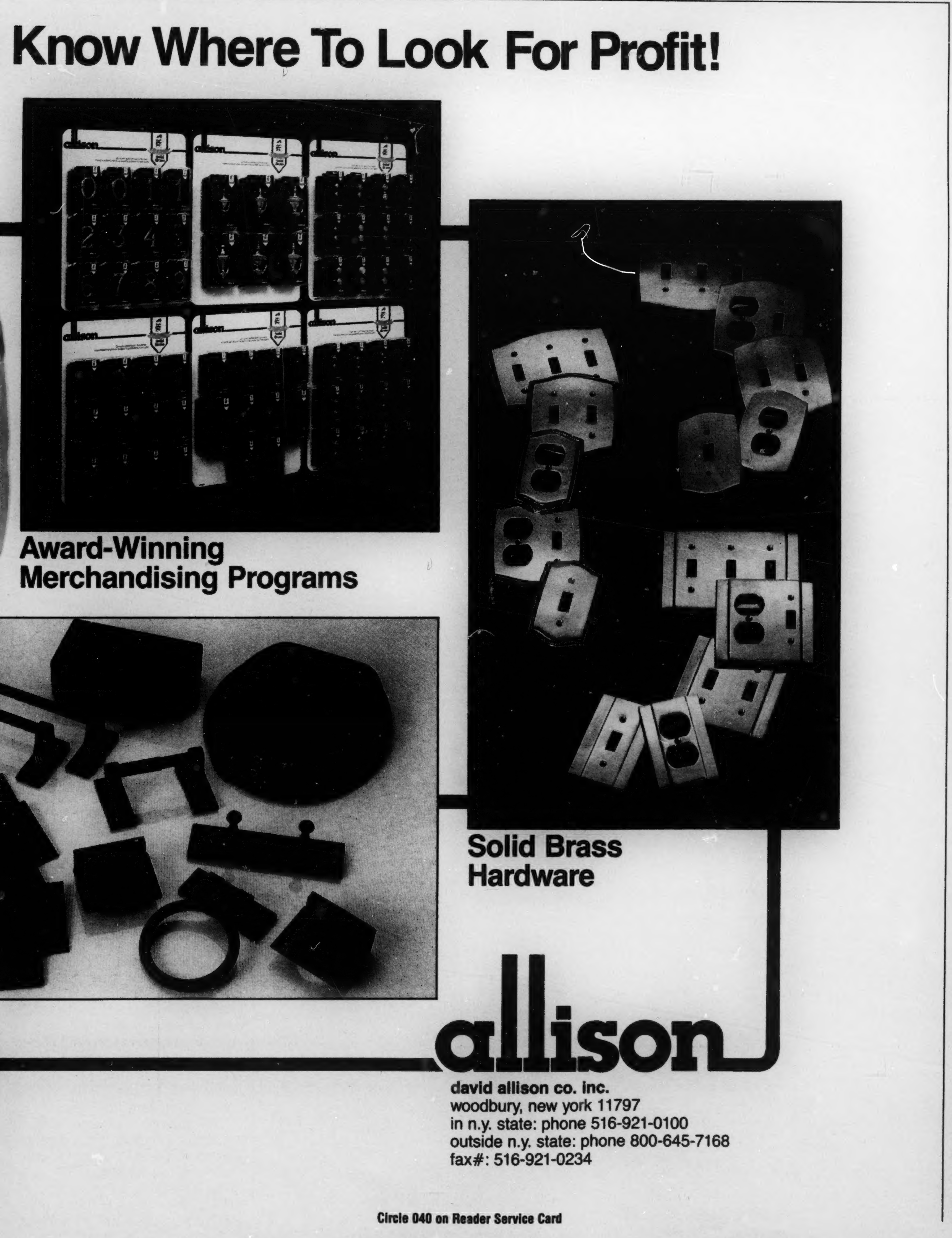
As it moved to expand and upgrade its stores, Grossman's also moved to rein in its selling and administrative expenses. Those expenses were slightly higher for fiscal 1987, rising to $267.6 million, from $254.6 million in 1986, but represented a lower percentage of sales for the year than in 1986.

Helping Grossman's along financially was a $50 million, five-year, revolving credit agreement, signed late in the year at a lower interest rate than the company's previous credit line.

Helping Grossman's along financially was a $50 million, five-year, revolving credit agreement, signed late in the year at a lower interest rate than the company's previous credit line.

Grossman's obtained $48 million in revolving credit at an interest rate of 0.5 percent above the prime rate. Previously, Grossman's had paid interest of 2 percent above the prime rate.

As a footnote in the company's history, the Lindsley Home Centers operation in Miami, which was kept out of the Grossman's corporate structure after the company reorganized from Chapter 11, was sold off to Westlake Hardware's Lone Star Hardware subsidiary in San Antonio, Texas.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Channel consolidates after management led buyout

By an NHCN staff editor

WHIPPANY, N.J. — Following a $246 million leveraged buyout by senior managers, Channel Home Centers began a program of consolidation and store upgrading.

The chain also sought to improve its reputation among consumers who, by the chain's admission, have viewed its stores as being too high priced compared to the competition.

Channel, which ranked 9th in sales last year, announced plans to expand by 15 stores in 1987. But, by closing some units, Channel finished the year with 180 stores, down from 201 in 1986. And the company is projecting it will have 170 stores by year end.

Some 18 Handy City and Houseworks units were closed in Channel's San Antonio, Texas-based Central Region. The closing included stores in North and South Carolina, Florida, and Georgia.

By closing its stores in the Atlanta area, Channel put itself out of business in Georgia.

Despite the streamlining, however, Channel's sales were flat for the year at $725 million, according to executive vp-administration Charles Tabak.

Seeking to put the best face on the closings, company spokesman Ann Plaut indicated that some of them might be temporary. And she stressed that the closings stemmed from a strategic plan developed by Channel's former parent, W.R. Grace.

At the same time it was closing units, Channel opened some and remodeled others.

One new store opened in Annapolis, Md., in June. Its 50,000-square-foot format was a prototype for new Channel stores and helped boost the chain's average square footage in 1987 to 45,000 from 41,000 in 1986. The new stores also featured wider aisles, brighter lighting and a different type of flooring.

Channel also remodeled nine Handy Dan stores in the Houston area, to make them look more like the chain's Eastern units.

Stockkeeping units were added in various departments, to bring the total number to Channel's typical 25,000. Automotive departments were added in the Handy Dans and housewares departments were expanded with broader merchandise assortments.

To service its Southern stores, Channel also opened a 400,000-square-foot distribution center in Houston. The center is four times the size of its former DC in San Antonio.

84 Lumber moves back to contractors

By an NHCN staff editor

EIGHTY FOUR, Pa. — After a sluggish 1986, 84 Lumber's sales jumped 20 percent to $821 million in 1987.

The increase put the company in the 7th spot among the top home improvement retailers, up from 8th in 1986.

Jay Mitchell, 84's director of public relations, attributed the dramatic growth to the company's movement back toward its contractor customers. The company also announced it would sell 14 closed stores in such unprofitable markets as Texas and Louisiana, reaping about $300,000 per store.

The chain had 361 stores in 1987, compared with 373 in 1986. The projected store count for 1988 was up slightly to 369.

Part of 84's reinvigoration also was attributable, apparently, to its chairman Joe Hardy taking a much more active role in the company's operations over the previous 18 months. Hardy, who for a period in the early 1980s appeared to be phasing himself out of the corporate picture, is now said by vendors and company insiders to be holding the reins again.

Hardy's influence can be seen most readily in the chain's turning back to its traditional customer, the contractor. As expected, 84's percentage of sales from retail transactions dropped dramatically in 1987, to 20 percent from 60 percent in 1986.

The change was part of the company's strategy during its 30th anniversary year to reembrace contractors.

As a result of its growth, 84 added employees in 1987, going from 2,800 in 1986 to 4,500.

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Hechinger expands, buys Home Quarters Warehouse

By an NHCN staff editor

LANDOVER, Md. — Hechinger took another step into warehouse retailing in 1987, a year that saw the company embark on its most aggressive expansion.

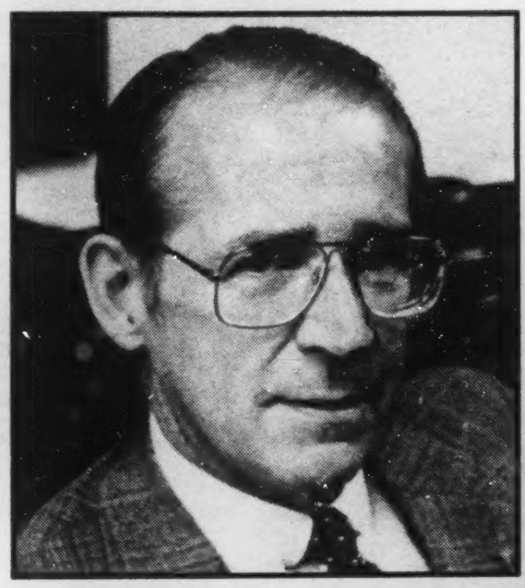
Hechinger bought Home Quarters Warehouse, built a 310,000-square-foot distribution facility and grew by 18 new stores—some in new markets. The company also went to Wall Street and raised $100 million in convertible debentures to finance its growth.

For all of its efforts, the company's revenues increased 23 percent from $588 million to $725 million, ranking the chain eighth among home improvement retailers.

The purchase of Home-Quarters Warehouse, a former W.R. Grace subsidiary purchased in a leveraged management buyout in December 1987, marked the third different approach Hechinger has taken to employ the warehouse format.

This dates to the much ballyhooed joint venture between Hechinger and K mart to open warehouse units under the name "Home Team" in 1984, a collaboration that shortly afterwards dissolved.

But Hechinger continued on internally with its own warehouse plans. The company pulled the plug on developing warehouse units in the spring of 1986 and gave Wall Street a number of reasons for doing so.



Philip Mansfield, executive vp of Hechinger, retired in 1987 after 18 years with the company. NHCN photo

To the surprise of the industry, Hechinger gave the warehouse format a third go-round when it bought HQ for $66 milion in December and kept Frank Doczi on as president and ceo of the warehouse operation.

The purchase of HQ capped off a year of vigorous expansion for Hechinger. It grew from its traditional Middle Atlantic region to a chain that now sprawls from New England to North Carolina. In between, it has stores in upstate New York, Philadelphia's outskirts and suburban Pittsburgh. It moved into such new markets as Rhode Island, Connecticut, Delaware, West Virginia and Long Island.

Amid the expansion, the company announced its desire to build a regional distribution facility somewhere in the Northeast.

Some of the new stores the company opened would be the first to include Hechinger's new decorator services departments. In March, the company announced that the new department would be anchored in service desks off the main power aisles and staffed by a full-time interior designer to consult with customers.

The company sustained a major personnel change late in the year when Philip Mansfield, its executive vp, announced his retirement, ending an 18-year career with the company. Although he said he wanted to travel while he and his wife were still healthy, Mansfield will serve as a consultant in strategic planning for at least two years.

The purchase of HomeQuarters Warehouse, a former W.R. Grace subsidiary purchased in a leveraged management buyout in December 1987, marked the third different approach Hechinger has taken to employ the warehouse format.

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HomeClub adds eight new units, sales rise 40 percent

By an NHCN staff editor

FULLERTON, Calif. — The year 1987 began auspiciously for HomeClub, the warehouse home center chain.

Questions about the company's profitability continued to be raised. And the last vestiges of its entrepreneurial management disappeared when executive vp George Handgis left the chain for sunnier climes in Hawaii that February.

As it turned out, though, 1987 was a very good year for the 36-unit chain. It added eight new warehouse units. Its sales grew more than 40 percent to an estimated $650 million (based on a calculation, provided by HomeClub's vp-finance Murray Wachtenheim, that each of the 28 stores that were opened for the full year averaged $20 million in volume, and the other eight—opened for six months—$10 million per unit.)

More important, in the 12 months ended Jan. 31, the chain showed a fiscal-year profit for the first time in its four-year history, according to its president, Herb Zarkin, who came on to replace the chain's founder Bob McNulty after the latter departed from HomeClub in 1986.

It appears Zayre, HomeClub's parent, is pleased enough with HomeClub's results to fund what Zarkin's estimates will be a 12-unit to 15-unit expansion in 1988, when HomeClub's volume should exceed $1 billion. Phoenix is one market the company will expand into.

Early in 1987, HomeClub settled a complaint made by California's attorney general that the chain wasn't making nonmember consumers sufficiently aware of the 5 percent extra it charged them to buy products in its stores.

That didn't deter HomeClub from solidifying its position in southern California with an aggressive television advertising campaign that compared its pricing with competition ranging from K mart to National Lumber and Builders Emporium.

The ads were developed by Admarketing, an agency based in Los Angeles that is the first HomeClub has aligned itself with.

It appears Zayre is pleased enough with HomeClub's results to fund what will be a 12-unit to 15-unit expansion in 1988, when HomeClub's volume should exceed $1 billion.

In early 1988, the company extended the use of this ad campaign into El Paso, Texas, where the chain opened two units last year. The El Paso stores each have 9,800-square-foot nurseries.

The $10 million campaign will also find its way into the Denver-area market, where HomeClub opened a 92,000-square-foot warehouse unit in Englewood last year. The chain has three stores in this market.

Internally, analysts who follow the company observed that HomeClub appeared to have inched its gross margins upward in order to enhance its profitability last year. It cannot be said, though, that the company shucked its low-price image.

In the stores, the chain made $8 million in capital expenditures in 1987, which included the installation of an IBM 3083 system, and replacement of all the stores' cash registers. Capital expenditures for the next two years will be $12 million, said Zarkin.

The chain's president also instituted a more relaxed management style into HomeClub's operations, reducing managers work week to five days from six.

Operationally, HomeClub's expansion into far-flung markets—Seattle, El Paso, Albuquerque, Denver and California—caused the company to reconsider its direct shipment policies and contracted W.R. Grace's Distribution Services division to serve as the chain's distribution center for a handful of products.

Grace breaks down vendor shipments and gets the merchandise to the stores within 36 hours.

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Despite fewer units, Sutherland reports 5% gain in sales

By an NHCN staff editor

KANSAS CITY, Mo. — Sutherland Lumber, the family-owned chain, posted higher sales in 1987 and expanded its project-oriented advertising.

Although the number of total units has declined over the years, Sutherland ranked 11th overall in sales among the top home centers listed in *NHCN* chart this year.

Sutherlands, a company with five principal family owners and as many as 25 family members involved in its operation, produced estimated sales of $635 million last year from a total of 83 units, up from $605 million in sales in 1986 with 86 units. The 1987 gain of 5 percent was consistent with the last three years since the explosive 1983-1984 season when sales rose 24 percent from 100 stores. Company officials declined to comment about the performance of the chain last year.

While Sutherlands hasn't changed it average 10,000-square-foot unit size, officials report some units expanded offerings in RTA furniture and seasonals. Total product in some units have grown to 14,000 skus from the average 12,000 skus. In addition, Sutherlands, in different parts of the country, has had success running larger, "Warehouse Plus" stores that, by *NHCN*'s estimate, are in the 40,000-square-foot range.

The product increase was reflected in a new look to Sutherland's advertising last year. Advertising is one of the sole functions that is done centrally in the company, and it took a decidedly aggressive tack towards project marketing.

The chain began using four-color, glossy inserts for its RTA furniture advertising. More visible was the advertising's message. In almost every one of its weekly tabs, Sutherlands made a big push for project marketing across a wide variety of product categories.

While *NHCN* could not confirm it with senior Sutherland management, the chain reportedly had second thoughts and cancelled plans about entering the Cincinnati market last year. It is still unknown whether the chain was unable to sell three shuttered California stores.

Menard's sales rise 30 percent to $590 million

By an NHCN staff editor

EAU CLAIRE, Wis. — Menard Cashways, one of the strongest retailers in the upper Midwest, boosted sales by more than 30 percent last year, even though much of the market it serves suffered from sagging agricultural and energy economies.

The privately-held chain added four new units last year and posted sales of $590 million, according to chairman John Menard, up from $450 million in 1986, making the chain the 12th-largest among home improvement retailers.

One of the reasons for the growth could have been its aggressive pricing and a "new appeal" to the decorative sell.

An early-year survey by a Minneapolis television station pointed to Menard's as having the brand name products it was looking for.

In addition, WCCO-TV found Menard's prices the lowest of five retailers, including Builders Square, by a market-basket savings of 26 percent.

Emphasis on displays

On the store floor, vendors reported that Menard's put more emphasis in its merchandising displays this year, increasing sales of decorative and higher-end products.

In total, the retailer opened four new units last year, including its first 62,000-square-foot store in Bismarck, N.D. Stores in the now 38-unit chain average 70,000-square-feet and stock an estimated 50,000 stockkeeping units.

And, in the Midwest, where chains ranging from Builders Square to Knox Lumber to Lampert Lumber promote their products and image heavily, Menard's kept pace, particularly in television advertising. The chain, according to the Television Bureau of Advertising, boosted its TV ad expenditures 46 percent in 1987 to $1.9 million, which ranked the company 9th among home improvement chains.

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Circle 44 on Reader Service Card

Scotty's ventures outside Fla., but expansion impacts earnings

By an NHCN staff editor

WINTER HAVEN, Fla.—Last year Scotty's, the industry's 13th largest chain, surpassed $500 million in annual sales for the first time. The 141-unit company also made its first venture beyond the Florida border with a home center in Georgia and more planned for Alabama.

Scotty's expansion plan, however, continued to bite into its earnings, and for the fiscal year the chain's net income declined to $10.3 million, down 24 percent from 1986. The record sales of $528 million were 4.3 percent higher than the previous 12 months.

Although the retailer closed seven marginally profitable home centers, 12 were added and four were remodeled. Twelve hardware stores were also added, bringing its hardware store total to 28. The hardware stores, according to Scotty's 1987 annual report, have performed well since their introduction four years ago. Scotty's has plans to open 20 additional hardware stores in 1988.

On the home center front, the company opened some 600,000 square feet of new selling space. The annual report states that the full-line stores achieved annual average sales of $4.4 million each. Sales per transaction averaged at $18.55, with sales per square foot at $108.84.

Scotty's operating expenses were reported to have increased by 7 percent. Liability insurance made up the lion's share of this with a 66 percent increase over the previous fiscal expense.

Meanwhile, Scotty's hopes its capital investment translates to higher earnings in 1988. Since 1985, the company has put $100 million into an aggressive capital expenditure program initiated to bolster the foundation of a company that has seen its competition rise.

Company president Dennis Stults said last October that he saw expenditures paying off, and that he forecasted a better year in 1988.

Meanwhile, in November, GB-Inno-BM, Belgium's largest retailer, filed a document with the SEC stating its intention to boost its holdings in Scotty's beyond 26 percent of the chain's common stock. This represents a strategy change for GB-Inno, which has said that its Scotty's holdings would not exceed 26 percent.

Alfred Bienfait, a GB-Inno executive, explained at the time that the price of the stock was low and the dollar was low, hence the decision. Between Aug. 1 and Oct. 26, GB-Inno brought its total holdings up to 25.996 percent.

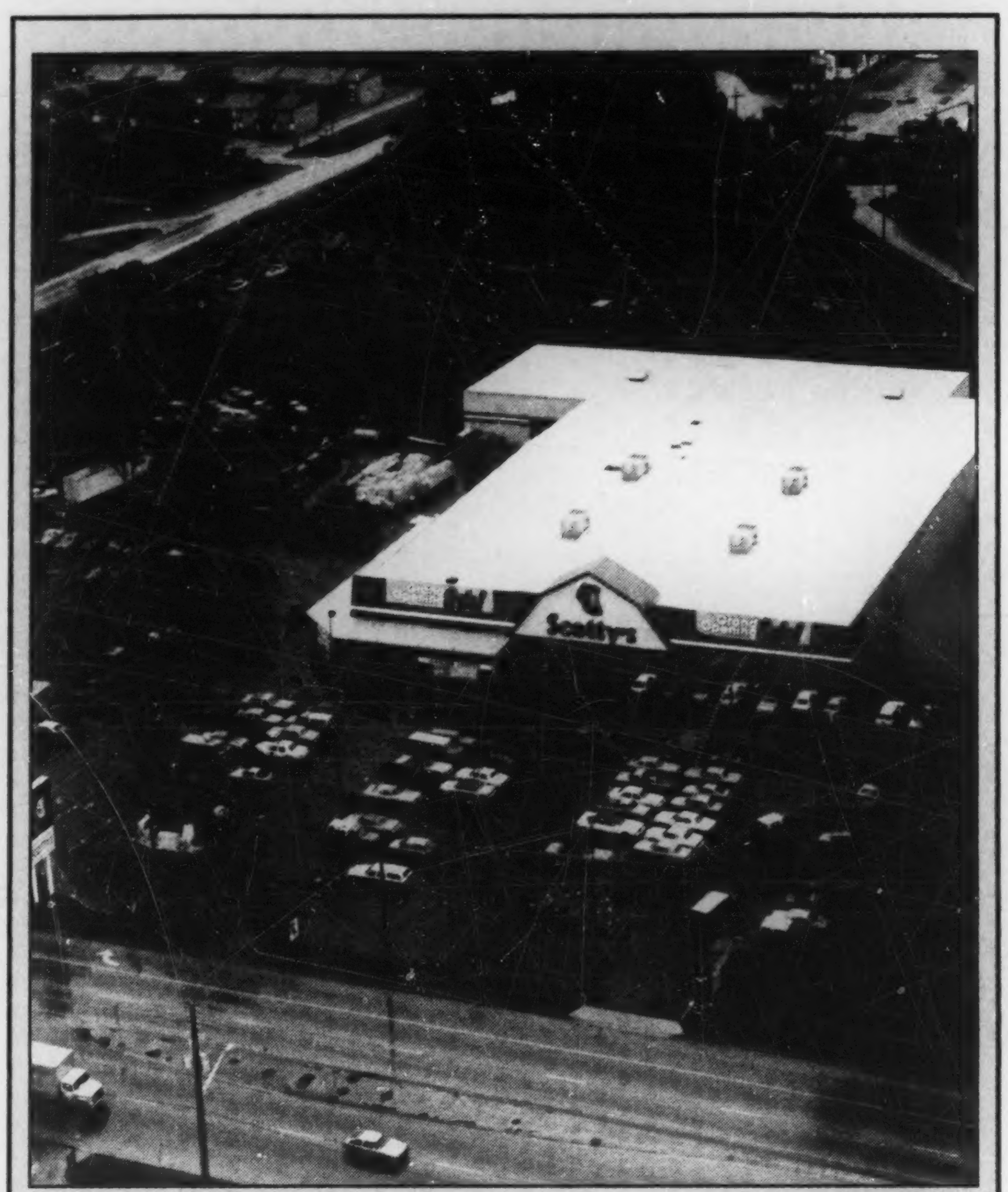
Harold Taylor, Scotty's chief financial officer, noted the change and said that Scotty's has no legal agreement to the limit of shares that Inno could purchase. He said that contact with Inno revealed that it had no intention of taking over Scotty's.

Operationally, the chain took an aggressive ad posture in 1987. On the air, Scotty's used commercials that addressed the problems of moving into new states while broadening its appeal on home turf in Florida. The Florida chain created two different 30-second spots to introduce itself to Macon, Ga. Another first saw Stults make his television debut as a corporate spokesman.

Some innovations that occurred during the year included the "triple-play" circular, a trifold insert that attracts attention from its unique overlap. The triple play is circulated in all markets roughly every two to three months.

Another reason for the aggressive stance, according to Bob Fant, advertising director, is that some 988 new residents move to Florida daily—a vast number of people who need to be introduced to Scotty's.

The year also brought the completion of Scotty's high-cube warehouse, a highly efficient distribution center which capitalizes on 41-foot-high racking. The narrow aisles are negotiated with a computerized Turret side loader that stocks merchandise into the racking each time it goes into the aisle to retrieve an order.



Scotty's opened 600,000 square feet of new home center selling space last year. The company's annual report states that the full-line stores achieved annual average sales of $4.4 million each. Sales per transaction averaged at $18.55, with sales per square foot at $108.84. NHCN photo

Scotty's added twelve hardware stores this past year, bringing its hardware store total to 28. The hardware stores, according to Scotty's 1987 annual report, have performed well since their introduction four years ago. Scotty's has plans to open 20 additional hardware stores in 1988. Pictured is the St. Petersburg, Fla., unit. NHCN photo

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Country

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1. TRADE CLASSIFICATION
✓ *primary one*

RETAILER
- A ☐ Hardware Store
- B ☐ Home Center
- C ☐ Mass Merchandiser
- D ☐ Wholesale Club
- E ☐ Lawn and Garden
- F ☐ Building/Lumber Supply
- G ☐ Automotive
- H ☐ Other: (Specify)

WHOLESALER/DISTRIBUTOR
- J ☐ Independent w/member stores
- K ☐ Independent wholesaler
- L ☐ Co-Op

- M ☐ **MANUFACTURER**
- N ☐ **MANUFACTURERS AGENT**
- P ☐ **IMPORT/EXPORT**
- Q ☐ **OTHER: (Specify)**

2. TITLE/FUNCTION
- A ☐ Owner/CEO/President
- B ☐ V.P./G.M./Director
- C ☐ Merch. Mgr.
- D ☐ Buyer
- E ☐ Sales
- F ☐ Other: (Specify)

3. NUMBER OF STORES
- A ☐ One store
- B ☐ 2-4 stores
- C ☐ 5 or more stores

4. TOTAL ANNUAL SALES
- A ☐ Up to $499,999
- B ☐ $500,000 to $1,000,000
- C ☐ $1 to $5 Million
- D ☐ Over $5 Million

5. PRODUCT INTEREST
- A ☐ Hardware
- B ☐ Lawn and Garden
- C ☐ Housewares
- D ☐ Hand and Power Tools
- E ☐ Automotive
- F ☐ Plumbing
- G ☐ Electrical
- H ☐ Bldg. Supply Materials
- J ☐ Heating/Cooling
- K ☐ Outdoor Living
- L ☐ Sporting Goods
- M ☐ Paint/Sundries
- N ☐ Wall Coverings
- P ☐ Floor Coverings
- Q ☐ Ceiling Products
- R ☐ Lumber Plywood
- S ☐ Furniture: KD, outdoor, indoor
- T ☐ Major Appliances
- U ☐ Kitchen Cabinets
- V ☐ Bathroom Cabinets

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Perspectives

annual census/international

THE 10 LEADING BRITISH HOMECENTER GROUPS

Name	Total Sales ($ Million)	Number of Stores	Average Size (000 Sq. Ft.)
B&Q	1,196*	201	34.0
Texas Homecare	655	147	25.6
Payless DIY	345	70	26.2
Do-It-All	270	64	25.3
Homebase	241	28	45.0
Great Mills	206	53	26.6
Fads	156	207	3.5
Wickes	153*	24	21.9
Decor	64*	182	2.1
Sandfords	50*	12	33.2

*NHCN estimate

THE 10 LEADING FRENCH HOMECENTER GROUPS

Name	Total Sales ($ Million)	Number of Stores	Average Size (000 Sq. Ft.)
Castorama	808	80	47.5
Leroy Merlin	359	36	37.6
M. Bilcolage	217	170	9.4
OBI France	215	35	24.6
Euroloisis	136	23	25.8
B3/Gagmi	56	53	8.9
Bricogitel *Art du Bricol*	94	29	14.9
Briker	86	15	24.8
Bricorama	67	21	16.1
Bricofrance	47	24	9.9

THE 10 LEADING GERMAN HOMECENTER GROUPS

Name	Total Sales ($ Million)	Number of Stores	Average Size (000 Sq. Ft.)
OBI	611	157	26.4
Asko Group	434	80	28.5
Bauhaus	361	80	26.9
Massa	306	24	38.1
Coöp	194	76	18.4
Max Bahr	178	37	29.1
Stinnes	167	37	22.4
Hagebau	108	59	13.7
Interpares	94	59	12.2
N.B.	69	39	16.0

OTHER EUROPEAN HOMECENTER LEADERS

Name	Total Sales ($ Million)	Number of Stores	Average Size (000 Sq. Ft.)
GB Inno BM, *Belgium*	219	78	8.9*
Migros, *Switzerland*	200	35	24.2
Baumax, *Austria*	107	31	19.7
Coöp, *Switzerland*	67	33	15.4
Bauhaus, *Austria*	67	13	29.7
Wickes, *Belgium*	28	11	16.2*
Brico Center, *Italy*	NA	3	37.6*

Source: Presentation by Harold Lux to Worldwide DIY Council. Calendar year 1986; U.K. updated to calendar 1987

TOKYU HANDS

This DO IT ALL store in Borehamwood, England, is part of the third-largest British DIY chain. NHCN photo

The 20 Leading Japanese Home Center Groups

Name	Total Sales ($ Million)	Percentage Sales Growth	Number of Stores	Average Size (000 Sq. Ft.)
Viva Home	409.2	9.9	38	3.7
Iseya	346.9	12.8	56	3.8
Keiyo	333.1	32.0	42	5.8
Kahma	305.4	12.5	26	3.6
Tokyu Hands	290.7	18.1	6	3.0
Joyful Honda	216.1	10.2	5	0.9
I World	192.3	4.2	10	1.7
Hinode	143.1	11.4	16	3.0
Ishiguro Home	142.3	26.7	15	1.9
Encho	133.1	11.6	8	1.2
Juntendo	127.7	20.3	101	5.5
Sunday	124.6	13.3	21	1.9
Shimachu	124.6	21.8	15	1.7
Kanseki	122.3	18.7	18	1.8
Yamashin	116.9	9.0	10	1.3
Daio	112.3	19.5	4	0.7
Mr. Max	110.0	40.9	13	1.8
Komeri	104.6	19.8	38	2.7
Sekichu	103.8	5.6	13	1.3
Oskar	103.8	17.4	11	1.3

$ = 130 Yen

Source: Diamond-Lebhar Research

NHCN chart

Consolidation, expansion mark international DIY retailing

By an NHCN staff editor

INTERNATIONAL REPORT — DIY is clearly a worldwide phenomenon, with strong activity in Europe and Japan as well as Australia and North America.

Rapid expansion and consolidation, which have recently characterized the U.S. market, are evident abroad as well, particularly in Europe.

France's largest DIY company, Castorama, for example, plans to expand across national borders for the first time this year when it opens a Milan, Italy, unit in December.

Similarly, GB-Inno, which operates the Brico stores in Belgium, already holds a stake in OBI, France; Homebase, England; as well as Scotty's and Handy Andy in the Unite States. The company is now venturing into Spain for the first time.

Indeed, Spain and Italy, where DIY activity has been more moderate, now seem poised for rapid growth.

British companies, in particular, are looking at the Continent as a place to expand. There is already a lot of acquisition activity in the U.K. For example, A.G. Stanley, which operates Fads stores, last year acquired Decor 8 and Home Charm. Currently, Ward White, which owns Payless DIY, the U.K.'s third largest home center operator, is attempting to take over A.G. Stanley.

Operators in every country seem to be grappling with issues of customer service and store productivity. Japanese retailers appear to be getting the most out of their stores, compared to other international home improvement dealers.

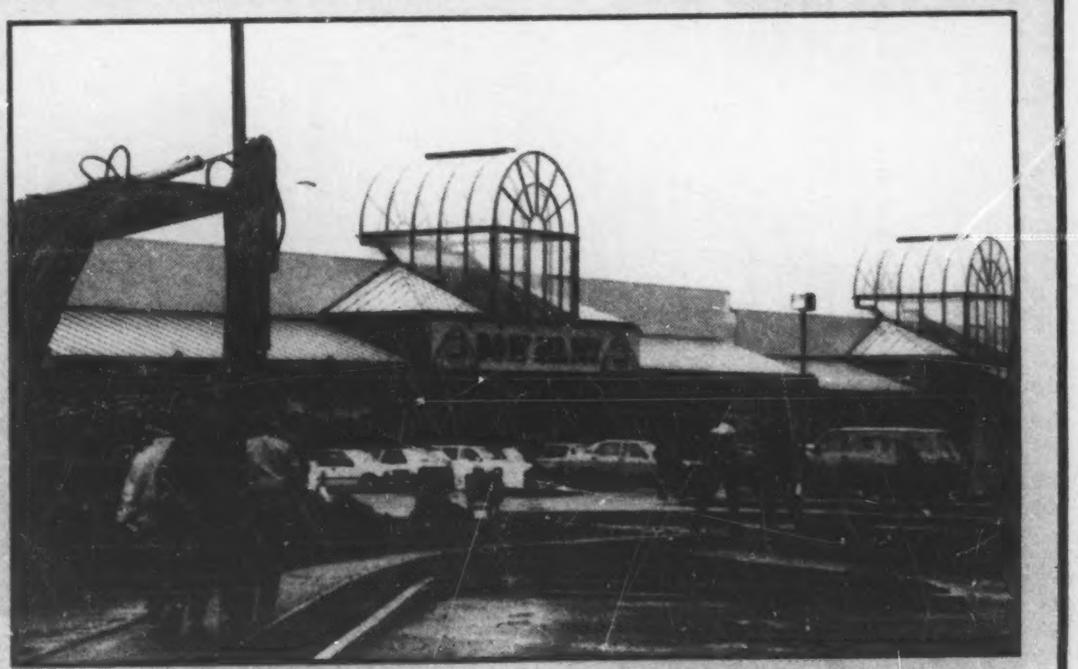
Based on *NHCN* research, the Top 20 home improvement chains in Japan, led by the 38-unit Viva Home operation, ran stores that averaged only 2,430 square feet. But these units each produced a remarkable average of $7.86 million in annual sales.

Compare that with the top 10 French home centers, which average around 22,000 square feet—nearly 10 times the size of Japan's stores—but which generate $4.23 million per unit per year. However, the Castorama chain, one of Europe's largest, has 80 stores that are typically more than 47,000 square feet and produced average per-unit revenues in excess of $10 million.

In Germany, where the top 10 companies did an aggregate $2.52 billion in sales in 1986—slightly more than Lowe's 1987 volume—sales per store were $3.89 million from units which average 23,170 square feet. And based on the performance of its top 10 chains at least.

Compared with the U.S., however, European operators may be more profitable, because the high cost of real estate requires a greater return.

A random sampling of other European retailers finds their stores' sales production running the gamut from the $5.7 million per-unit average generated by Switzerland's Migros operation and $5.5 million Wickes gets from its 11 Belgian stores to the $2 million produced by each of Coöp's 33 stores in Switzerland.



Tokyu Hands is Japan's fifth largest DIY chain, but it stocks items unfamiliar to most U.S. DIY stores. NHCN photo

Despite 'distractions,' Pay 'N Pak has profitable year

By an NHCN staff editor

KENT, Wash. — Pay 'N Pak, in the words of its chief financial officer Doug Southern, was "in play" for most of 1987, and the attempt by a Florida investor to take over the chain colored its business all year.

The 100-unit company saw its sales increase by nearly 8 percent for the year ended Feb. 29 to $429.1 million. And last year Pay 'N Pak's profits rebounded strongly after several quarters of earnings declines. "Considering all the distractions we had, 1987 was a very good, profitable year," said Southern.

Those "distractions" most prominently included a hostile takeover bid by Paul Bilzerian, president of Bicoastal Financial Corp. in Tampa, for $171 million.

This bid was raised no less than four times and culminated in Bilzerian attempting to purchase 4.1 million shares of Pay 'N Pak's stock last July, only to have his broker, Morgan Stanley, cancel the trade.

The New York Stock Exchange investigated this cancellation and eventually ruled in favor of Bilzerian. But by that time, nearly all of the chain's stock had been tendered to Rosewood Holding Corp.—the management group formed to block Bilzerian's bid with a leveraged buyout—and its bankers Citicorp and Salomon Brothers.

Bilzerian gave up his bid, and Rosewood—now called PNP Prime—completed its $212.5 million purchase of the company last month. The successful buyout further strengthened the control of Pay 'N Pak by its chairman, David Heerensperger.

During all this tumult, which included separate lawsuits filed against the chain by Bilzerian and some shareholders, Pay 'N Pak released detailed projections of its sales and earnings through 1991.

The report, prepared by Salomon, estimated that the chain's sales would jump from $398.1 million in 1986 to $654.1 million in 1991, with net income growing 160 percent in 1987 to $15.1 million, and steadily each year to $30.6 million in 1991.

In the study, Pay 'N Pak projected it would be closing a number of stores over the following several months. And, indeed, the company shuttered eight unprofitable units (including its Denver area sites) in January 1988 as part of its streamlining efforts.

However, the company also moved into southern California for the first time early last year with a 63,500-square-foot unit in Indio. In this store, which then vp-marketing Richard Friel called "a jewel in the chain," a customer lounge was introduced, and carved out a spacious area for displays of upscaled furniture in a setting complete with carpeting, trac lighting and electronic entertainment centers.

It was difficult to get a fix on what direction the chain's in-store presentation was taking, however. Last summer, Pay 'N Pak remodeled its 56,000-square-foot flagship unit and removed most of its warehouse racking. The unit's sign, which previously called the store a "Warehouse Outlet" now said "Pay 'N Pak Home Centers."

Amid all this activity, one thing remained constant at Pay 'N Pak: Its antitrust suit with Thurman Industries (which dates back to 1984 and has cost Pay 'N Pak $700,000 a year) dragged on. It does appear this will finally be heard sometime in 1988.

Management keeps Rickel intact after LBO

By an NHCN staff editor

WOODBRIDGE, N.J. — In 1987, Rickel Home Centers became part of a leveraged buyout of Supermarkets General by its management.

Chuck Davis, president and ceo of Rickel, and five other senior managers purchased the giant retailer for $1.5 billion to fend off a takeover attempt by the Dart Group.

The managers were backed by Merrill Lynch Capital Partners. The investment group bought 80 percent of Rickel's 40 million outstanding shares for $46.75 each.

Robert Wunderle, Supermarket's staff economist, insisted that the company planned to keep Rickel intact.

"There has been no intention to divest Rickel," he said. "When the Dart offer first came, people said we would spin off Rickel, but there has never been any substantiation of that."

And indeed, early this year, Supermarket's reaffirmed its commitment to Rickel by announcing that the home center chain had begun construction on three stores slated to open in 1988.

The stores to be opened are in Howell, N.J.; Newington, Conn.; and The Bronx, a borough of New York City.

In November, Rickel opened its 49th store in Selden, N.Y., on Long Island.

From $416 million in 1986, Rickel's earnings grew, by *NHCN* estimates, 12 percent to $466 million, making it the 14th largest home improvement chain.

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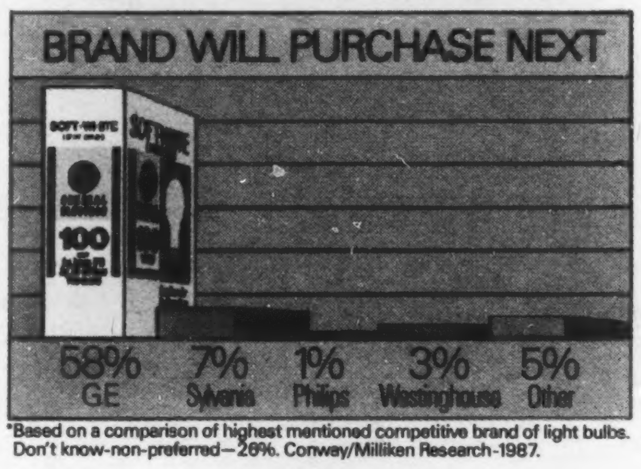

*Based on a comparison of highest mentioned competitive brand of light bulbs. Don't know-non-preferred—26%. Conway/Milliken Research-1987.

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Perspectives

How this year's Top 180 chains place in total and DIY sales

Company	Sales Rank	DIY Rank
ACO	47	34
Agway	31	176
Alamo Lumber	163	112
Alexander Lumber	48	74
All American Home Center	132	63
Anderson Lumber	46	71
Aubuchon Hardware	59	36
A.C. Houston Lumber	53	127
A.H. Angerstein	154	179
Babbitt Brothers	127	113
Babcock Building Supply	135	105
Bailey Lumber	171	128
Bellevue Builders Supply	80	87
Big Tin Barn	121	139
Boise Cascade	32	64
Braver Lumber	137	82
Brown-Graves	60	60
Buena Park Lumber	175	155
Builderama	133	79
Builders General Supply	110	146
Builders Square	5	5
Builders Supply	124	160
Busy Beaver	61	35
C & C Building Supplies	160	120
Calcasieu Lumber	158	173
Carter-Jones Lumber	23	24
Causeway Lumber	96	133
Central Hardware	19	17
Champion Lumber	125	162
Channel Home Centers	8	9
Chase-Pitkin	67	41
Church's Lumber	64	46
City Mill	108	58
Cofer Brothers	143	157
Conklin & Strong	164	92
Consolidated Lumber	146	141
Continental Lumber	134	163
Copeland Lumber Yards	34	53
Courtesy Home Centers	56	32
Cox Lumber	66	100
Cramer's Building Centers	169	99
Crissey-Fowler Lumber	114	147
Curtis Lumber	76	72
Daniels-McCray Lumber	153	171
Diamond Lumber	24	47
Dixieline	33	42
Dooley's Hardware	174	140
84 Lumber	7	19
East Coast Lumber	77	125
Eclipse Industries	68	38
Economy Lumber & Hardware	170	119
Edward Hines Lumber	40	54
Elk Supply	156	88
Erb Lumber	20	22
Ernst Home & Nursery	22	18
E.C. Barton	123	118
Fagen's	71	94
Fairfield Lumber	97	165
Fingerle Lumber	113	130
Foxworth-Galbraith	35	39
Friend Building Centers	167	117
Fullerton Lumber	116	177
Ganahl Lumber	79	142
General Builders Supply	161	170
General Building Products	63	70
General Building Supply	85	122
Gerrity Building Centers	26	66
Goodman's Lumber	82	45
Great Central Lumber	128	167
Great Plains Supply	99	116
Grossman's	6	6
Gulf Stream Lumber	172	166
Hacienda Home Centers	150	77
Haddonfield Lumber	78	145
Hancock Co.	73	69
Handy Andy	16	15
Hayward Lumber	117	114
Hechinger	9	7
Henry Bacon Building Materials	81	65
Hermann Lumber	140	138
Herndon Lumber & Millwork	148	175
Hill-Behan Lumber	45	51
Hinckley Home Centers	122	111
Home Quarters Warehouse	69	37
HomeClub	10	8
Housatonic Lumber	180	150
Hughes Lumber	173	103
Jaeger Lumber	142	98
J.C. Snavely & Sons	131	151
J.T.'s Home Centers	92	107
Kempsville Lumber	115	161
Lampert Lumber	43	40
Lampert Yards	94	85
Lanoga	17	20
LaValley Building Supply	109	102
Lester Group	107	109
Levy's Building Centers	165	89
Lezzer Lumber	88	78
Lloyd Home & Building Ctrs.	36	29
Lone Star Hardware	54	33
Lowe's Cos.	1	2
Lumber Headquarters	145	84
Lummus Supply	162	136
Mack Industries	70	108
Manis Lumber (Wheeler's)	151	129
Martin Home Centers	177	152
Masten Lumber	103	115
Mayfield Building Supply	149	180
McCoy's	27	25
Meeks Building Centers	37	52
Menard's	12	11
Mid-Cape Home Centers	87	110
Millard Lumber	138	137
Moser Lumber	106	131
Mr. Goodbuys	29	26
M.G.Building Materials	84	75
M.L.Claster & Sons	101	86
Nassau Suffolk Lumber	91	106
National Hardgoods Dist.	89	48
National Home Center	62	61
National Lumber (Calif.)	28	21
National Lumber	98	154
Neiman-Reed's Lumber City	72	43
Olshan Lumber	176	178
O'Malley's	39	62
O. B. Thompson	126	76
Panning Lumber	118	164
Parr Lumber	75	126
Pay 'N Pak	15	13
Payless Cashways	3	1
Pergament Home Centers	18	16
Peter Lumber	120	132
Plywood Minnesota	104	55
Ply-Marts	105	144
P.F. O'Connor	42	44
Ray Lumber	129	172
Raymond Building Supply	130	168
Rickel	14	12
Rigg's Supply	102	80
Robertson Cos.	168	104
Sackett & Peters	179	97
Scherer Brothers	57	134
Scotty's	13	14
Seacoast/Pelican Bldg. Centers	55	91
Seigle's Home & Bldg. Centers	58	73
Sinclair Lumber	112	153
Spahn and Rose Lumber	136	90
Stacy Building Materials	141	95
Stambaugh-Thompson	52	31
Standard Supply & Lumber	100	124
Star Lumber	93	83
Steenbeke & Sons	147	123
Stevenson Lumber	86	149
Stine Lumber	152	101
Stottlemyer & Shoemaker Lumber	157	159
Stripling Blake Lumber	159	135
Strober Brothers	38	148
Sutherland	11	10
TAPJAC Co.	139	96
Terry Companies	30	121
The Andersons	41	56
The Home Depot	4	4
The Paty Co.	83	67
Triangle Building Centers	74	50
T.H. Rogers Lumber	144	93
United Lumber	178	143
Valu Home Centers	49	30
Wallich Lumber	155	169
West Building Materials	21	23
Western Home Center	119	156
Western Lumber	65	57
Westlake Hardware	44	28
Wickes Cos.	2	3
William M. Young	111	158
Williams Brothers	51	68
Wolf Organization	50	59
Wolohan Lumber	25	27
Woodbury and Sons	95	81
Woodward Lumber	166	174
Yardbirds of California	90	49

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Return to decentralized buying marks Lanoga's 1987

By an NHCN staff editor

REDMOND, Wash. — Lanoga Corp., the parent of the Spenard's, Lumbermen's and United Building Centers (UBC) chains, returned to decentralized buying in 1987 to better manage its inventory.

It also appointed corporate vp Ed Savage to run its Spenard's and Lumbermen's operations, which were consolidated.

But the company saw only marginal sales gains last year, as the performance of contractor-oriented Spenard's continues to pull revenues down.

In 1987, Lanoga's sales rose only $1 million to $323 million. Daryl Nagle, who had spent 18 years with UBC and was named Lanoga's chief executive on May 12, 1987, told *NHCN* last month that while the company's "well-documented" problems have stifled sales and earnings, "we made money this year. It wasn't a banner year, but overall it was very good."

Nagle noted that sales at the nine-unit Spenard's, based in Alaska, were "seriously off" in 1987 (by nearly 15 percent, according to *NHCN's* estimation), but that "the other chains [the 102-unit UBC and 16-store Lumbermen's] did very well."

Spenard's, which continues to suffer from anemic housing starts in its markets, saw its DIY sales rise to 50 percent of its total volume last year, according to director of marketing Doug Grover. The chain closed two of its contractor yards in Glenallen and Anchorage, Alaska, in 1987.

"Our profit levels were higher than last year's," noted Grover, "and sales were good, given the current market."

The most dramatic events at Lanoga, though, were sales related, as the company laid off more than two dozen employees and shut its six-month-old corporate merchandising/marketing office last June.

Included in the company's purge were vp-merchandising and marketing Monte Leen, merchandise manager Jim Kief and Tim Schneider and, at the corporate level, vp-chief financial officer Steve Hall, MIS director Bruce Winter and special projects director Jim Fox.

The bloodletting actually began a few months earlier when then ceo Ted Tanase resigned on April 3, apparently over a disagreement with corporate management over his emphasis on centralized buying.

After its employee cutbacks and consolidation, Lanoga reassembled the management team for the Spenard's-Lumbermen's division that included Savage at the helm, with executive vp Bill Cromett supervising two merchandisers from the defunct central buying group and a buyer from Lumbermen's.

Growth propels Handy Andy into top 25 firms

By an NHCN staff editor

SCHAUMBURG, Ill. — Handy Andy Home Improvement Centers joined the ranks of the top 25 home improvement companies for the first time last year, with one of the most aggressive growth moves in the home improvement industry.

The chain, the industry's 16th largest, acquired the 18-unit Forest City, with stores in Ohio and Michigan, in January of that year. It made a three-unit foray into Toledo, Ohio, by the fall.

Estimated 1987 sales at Handy Andy, including annualized Forest City sales, were $325 million, according to the company officials and *NHCN* estimates. Prior year sales of Handy Andy were estimated at $150 million; at Forest City, $160 million. At year end, Handy Andy operated 44 units in Wisconsin, Illinois, Indiana, Michigan and Ohio. The 18 Forest City units are being called Handy Andy's Forest City.

It was a quiet year for new store openings. The chain added just one new unit to the original 24 Handy Andys, the 75,000-square-foot Elston Avenue store in Chicago, the fourth in its warehouse-look debuted in Milwaukee in 1986.

The January Forest City acquisition cost Handy Andy and its majority stockholder, Belgium's GB-Inno-BM, $48 million in cash and notes. Ed Seymour, Forest City Retail division president, and Paul Siegel, Forest City's vp of merchandising, left several months after the acquisition.

Handy Andy moved in regional general managers for Forest City's Detroit, Cleveland and Akron, Ohio, units and the centralized buying office left Cleveland and moved to Schaumburg, Ill., Handy Andy's corporate headquarters. Chainwide, stores cut back to 25,000 stockkeeping units from 30,000 in 1986.

The Elston Avenue unit drew attention several times during the year. Opened during the National Home Center Show here in March, it was a focus of retailer visits.

By Thanksgiving, Handy Andy was back in the news again, announcing it had acquired three sites in Toledo, Ohio, for units to open this year.

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Perspectives

annual census/retailers

Pergament upgrades units as sales rise 15% to $300M

By an NHCN staff editor

MELVILLE, N.Y. — Pergament Home Center's sales continued to grow in 1987, rising 15.4 percent to $300 million.

The chain also continued its program of replacing small stores in existing markets with larger units. Pergament's total number of stores remained constant at 40.

Bruce Pergament, senior vp-administration, said five stores were opened in the past year: in Bethpage, N.Y.; Garden City Park, N.Y.; Middle Village, N.Y.; Spring Valley, N.Y.; and North Brunswick, N.J.

The largest of the stores was the 150,000-square-foot Bethpage unit, Pergament said. Billed as New York's largest home center in Pergament's advertising, the store features linens, Oriental rugs and bedding.

The beefed-up store was Pergament's response to the news that Hechinger and Mr. Goodbuys would open on Long Island, N.Y. Both chains emphasize home decor items.

If the new lines work, Pergament has been quoted as saying they would be featured in all the chain's stores.

Chainwide, Pergament upped its average number of stockkeeping units 33 percent to 40,000, including more furniture, housewares and electronics. (Indeed, the company ran ads saying it was "open to buy" $400 million worth of merchandise at the Home Center Show in March.)

Also a winner for the chain, Pergament said, was its Port Chester, N.Y., store.

Though the company has operated a store in this suburb for 25 years, Pergament said the unit has been evolving.

"We went through a lot of painstaking effort to get that store the way we wanted it," he said. "We had a lot of different personnel until we found the right match. But we're very pleased with that store now."

Besides moving from a smaller unit in the strip center where it's located, Pergament said the Port Chester store has been refurbished several times.

Central enters new market; sales rise 10%

By an NHCN staff editor

BRIDGETON, Mo. — Central Hardware, the Missouri-based chain of 35 units, boosted sales slightly more than 10 percent last year, primarily by moving into new territory.

NHCN estimates Central's sales grew to $300 million in 1987, up from an estimated $270 million the year before. Central, a division of St. Louis, Mo.-based Interco Inc., would not reveal sales figures.

Growth has been steady for Central, gaining an estimated 10 percent in sales each year since 1983. It has been conservative in its store-opening philosophy, said president Jim Cohen.

Aggressive expansion

Its most aggressive recent expansion took place in the spring of 1987. Central debuted in Nashville, Tenn., with two units. Those and two in Cincinnati—where it already had six units—were properties Central acquired late in 1986 from the defunct Mr. HOW chain. This was the first growth for Central since adding its Columbus, Ohio, units in 1983-84.

Those first units in Nashville for Central were opportune acquisitions for the chain. Retailers there describe the market as able to support new competition, which currently includes strong local players and three Lowes units, two Handy City units and three units of the 84 Lumber chain.

There was a changing of the guard last year at the 85-year-old firm. Stanley Cohen, grandson of the founder, retired from the board of directors of Interco. Cohen sold the family firm to the conglomerate in 1966.

He will remain on at Central for two more years as a consultant. His son, Jim, now heads the company.

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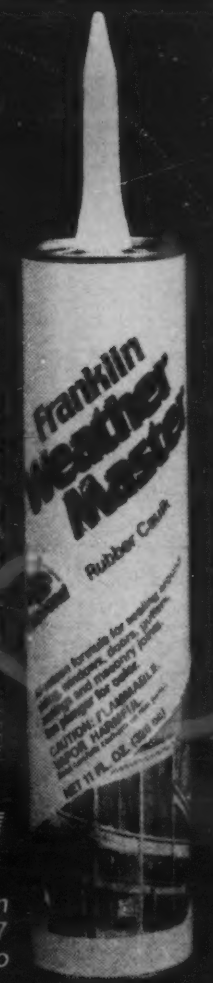

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West pushes consumer promos in bid for DIY business

By an NHCN staff editor

ATLANTA — With a heavier push into advertising through more consumer promotions, West Building Materials chalked up a 9 percent sales gain last year to $283 million.

The company was able to turn in a positive performance despite the invasion of Builders Square into the Atlanta market and the intense advertising skirmishes that ensued between that chain and The Home Depot.

Growing DIY interest

While West still earns 50 percent of its revenues from consumers, several steps enacted in 1987 indicate a growing interest in DIY business.

First the company invested heavily into a strong kitchen and bathroom profile and expanded its special order business in kitchens to 5,000 items.

Ronnie Goode, West's regional manager, told *NHCN* last month that "at least that many" special order items will be available in the bath this year, and that other departments will soon see their special order offering grow.

Second, West has undertaken an effort to remodel the stores in the 68-unit chain to include a broader selection of garden centers. The K&B area is being used as a kind of springboard in this effort.

Third, West has taken a proactive approach to training its sales managers to promote project selling and to encourage product tie-ins for new home builders.

Bill Colatriano, West's kitchen and cabinets sales manager, has spearheaded this training program, which is being expanded to other departments this year.

Last, West is going after the contractor and commercial account in a bigger way this year. It has produced advertising specifically for that customer (including apartment owners).

And it is making a bigger push to get home builders, not just the traditional remodeler customer who has been the chain's bread and butter.

The company, which normally has maintained a low profile, appears to be taking on a more active and visible role in the industry. Part of the change may be due to the youthful second generation of the West family assuming more day-to-day management control.

That profile was manifested by the amount of television advertising West did in many markets this year. Two of its TV ads were winners in this year's Ad Awards contest, conducted by *NHCN*.

Erb puts focus on building PK's contractor base

By an NHCN staff editor

BIRMINGHAM, Mich. — Erb Lumber, with a full year of sales and earnings from the PK Lumber chain it bought in 1986 under its belt, boosted sales 14 percent to $288 million over 1986. Much of the gain came from its lumber operations, both wholesale and retail, in six states.

While it still gets half its business from DIYers, Erb relied heavily on contractor and commercial accounts. In 1987, Erb worked on restoring the strong contractor base at PK. Erb hiked the number of core lumber and building materials at PK, the Dayton, Ohio-based chain of 21 units.

Chain rebuilds Haggerty

The chain rebuilt Haggerty Lumber, a 1984 acquisition in Walled Lake, Mich., a suburb of Detroit. With higher racking and more product in the main store, Haggerty Lumber became a warehouse-look prototype for a new yard opened in 1988 in Howell, Mich.

Erb also refurbished its Division Avenue yard in Grand Rapids, Mich., adding 12,000 square feet of retail space.

Overall, the chain boosted its average retail space by 500 square feet to 11,500 square feet. Acreage stayed the same, averaging six acres per unit.

Late in 1987, the chain began the search for new sites and anticipates several openings late in 1988 or early 1989.

Stockholders of the publicly traded Erb voted to turn the company private in late December 1986.

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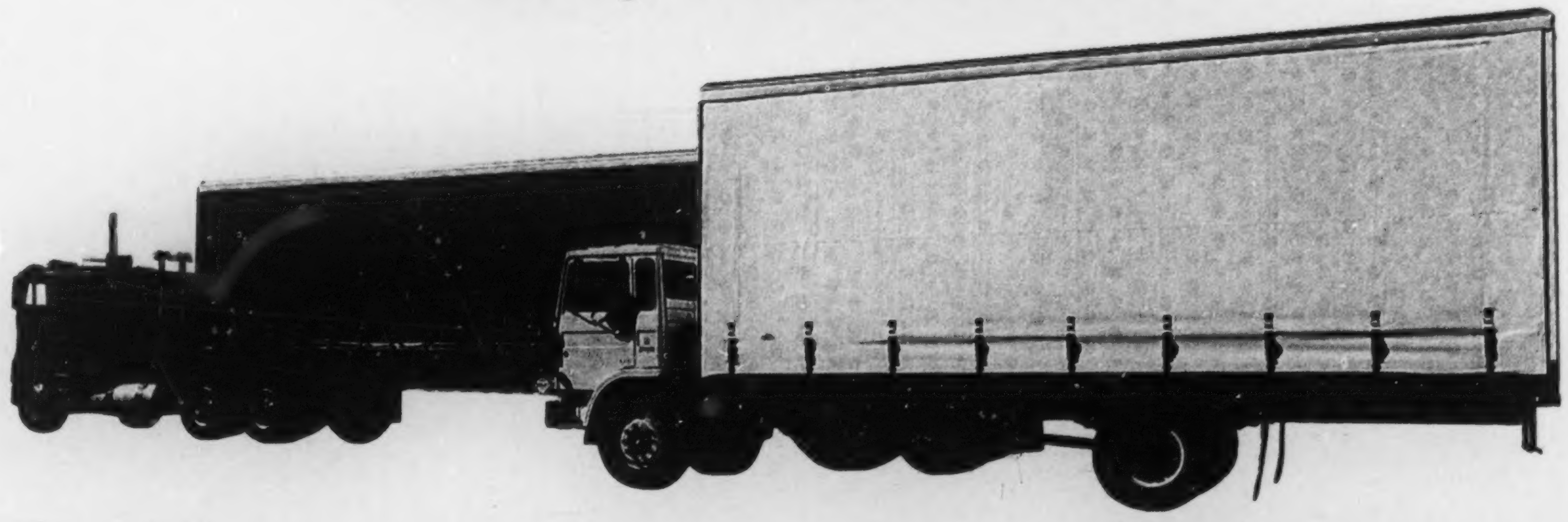

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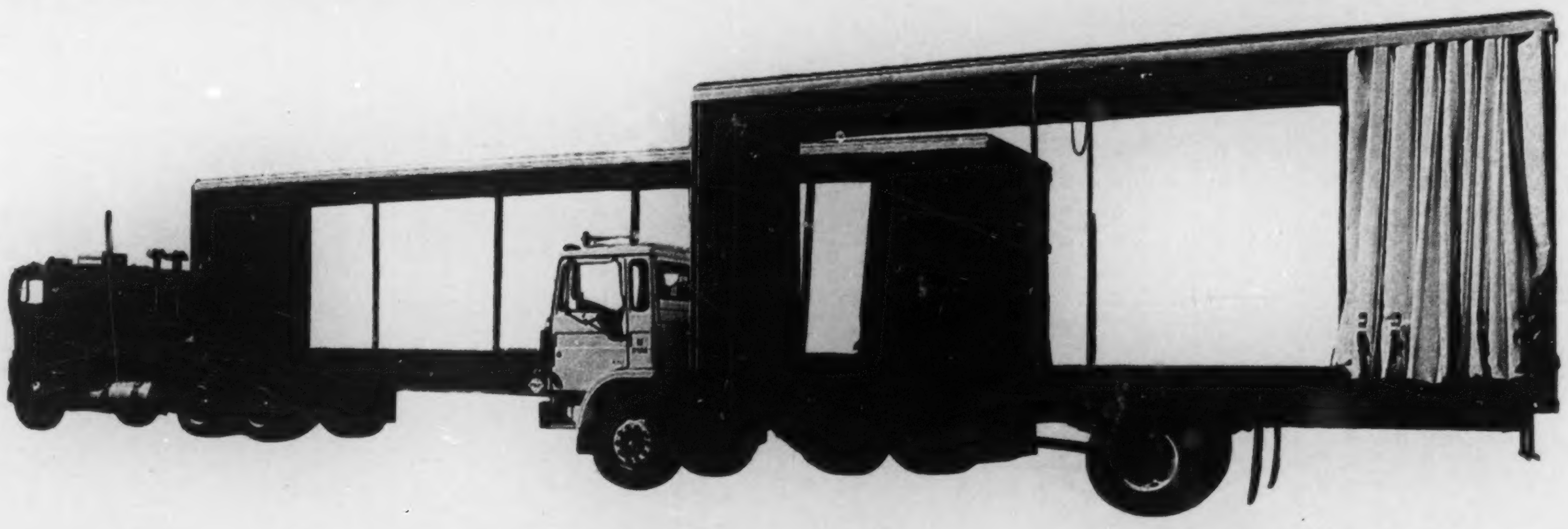

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Ernst Wash. prototype serves to launch remodelization

By an NHCN staff editor

SEATTLE — Ernst Home & Nursery, the 70-unit chain, took a number of bold steps in 1987, even though the chain's sales increase may not reflect that initiative.

Ernst's revenues rose only 4 percent to $260 million in 1987, according to vp-operations Michael Baumann. The company opened three stores, but closed six last year.

However, Ernst started on the road towards modernizing its stores and operations with the introduction of a flashy new prototype in Woodinville, Wash., that is serving as the launching point for the remodeling of all of its units in 1988.

In 1987, Ernst made a two-pronged commitment to DIYers—through its remerchandising—and to contractors through its pact with Mr. Build, the builder network that provides installation, remodeling, maintenance and repair services. Ernst has carved out 1,500-square-foot areas in its stores to display products that could be installed by Mr. Build-affiliated contractors.

"Fifty percent of consumers don't do major projects themselves, but they're apprehensive about thumbing through the Yellow Pages looking for a home repair contractor," said Gordon Erickson, installed services director, in explaining the Mr. Build alliance.

Mr. Build also played a role in Ernst's philanthropic effort to improve Washington State's largest shelter for the homeless in Seattle. Ernst donated $25,000 and Mr. Build donated repair services, which included the addition of a food preparation room and laundry/personal care area. To support its retail and remodeler businesses, Ernst made great use of print (accounting for 75 percent of its ad budget), television, radio and billboards. Each medium was used with a goal in mind: Radio aimed at consumers aged 35 to 64; TV ads promoted its low-price image; ROP ads highlighted a strength in green goods and nursery.

Last spring, Ernst also initiated plans for what then-vp-marketing Tim Lucia called "fashion seminars," in which consumers were instructed on everything from coordinating paint and wallpaper to matching furniture with doors and molding. They were scheduled to begin sometime last month. This was also a way to direct consumers into the Mr. Build section of the store.

Company president Hal Smith, brought on from the Builders Emporium chain two years ago, has also sought to strengthen corporate management. Last year, he hired Tom Vertetis, a veteran of Handyman and Channel, as senior vp-merchandising. Vertetis' style has been marked by scrutiny of vendor relations that has resulted in Ernst's conducting several closeout sales in a number of categories throughout 1987.

Also brought on board was Susan McNab, who replaced Dave Bruckner as senior vp-human resources.

Lucia was the one defection suffered last year, as he went to rival Pay 'N Pak as vp-marketing and communications. A few months ago, he was replaced by Monty Reese, the former Handy Dan executive who did a brief stint at Builders Square before joining Ernst as its vp-marketing.

Carter Lumber prosperous in hinterland

By an NHCN staff editor

KENT, Ohio — Carter-Jones Lumber was the 23rd largest retailer in the industry, with sales topping $242 million last year from 146 stores.

The privately held, publicity-shy operation's sales jumped 15 percent.

The company's executives declined to provide any further elaboration of its activities in 1987.

Despite its preference for avoiding the press, the company's advertising is among the more distinctive in the industry as it enjoys a consumer sales mix of 55 percent.

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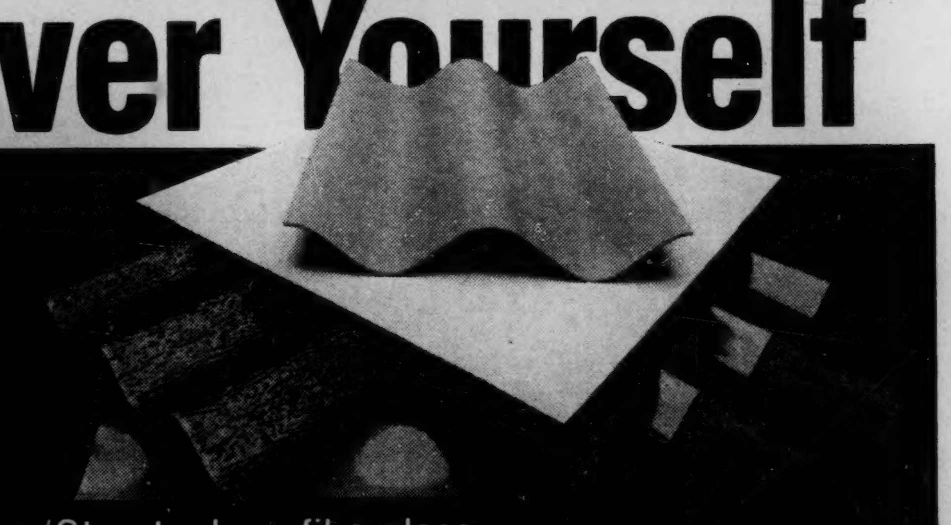

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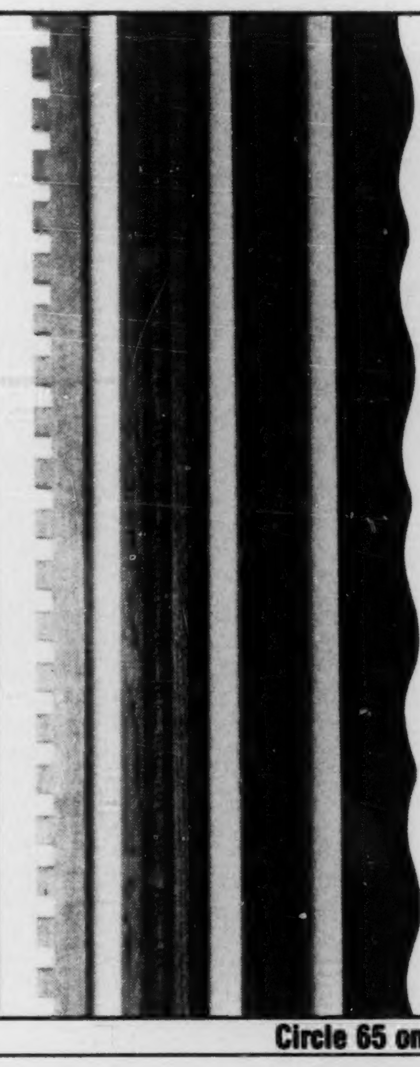

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Diamond fit for a fight as it struggles free from Ch. 11

By an NHCN staff editor

DALLAS — For Diamond Lumber, it was a year of turmoil and triumph.

The turmoil began early in 1987 as the chain, then 86 units, struggled to keep its head above perilous financial water.

In April, apparently drowning, Diamond and its parent company Michigan General filed for protection from creditors under Chapter 11 of the federal bankruptcy code.

But by the end of the year, Diamond was stroking hard toward the surface. And almost a year to the day that it filed for bankruptcy, Diamond emerged—trimmed down by 33 stores, with new management based in Dallas and fit for fight.

In spite of its problems, Diamond maintained a place on the list of top 25 retailers for 1987, squeaking into the 24th slot, with sales of $233 million.

"I wouldn't want to go through this again," said Michigan General ceo Jerold Grubstein when Diamond's reorganization plan had been approved.

Casualties of the bankrutpcy undertow were Diamond president Harlon Seats and 37 managers who resigned from stores around the country in 1985. The managers were disillusioned with Diamond's abandonment of its contractor customer, though some have been persuaded by Grubstein to return.

Seats, who helped steer the company through the Chapter 11 proceedings, is gone for good. He resigned in late November, the day Diamond filed its reorganization plan.

"Would I have done anything different?" mused Seats the day he resigned. "Not too much. I probably would have closed some smaller stores earlier."

With a three-year, $70 million line of credit from the CIT Group of Manufacturers Hanover Trust, Diamond is ready to try again.

The chain is wooing back contractors who left during Diamond's schizophrenic search for identity, sprucing up stores to the tune of $4 million and polishing the new Diamond image.

In October, Diamond sponsored a series of contractor nights, inviting more than 60,000 builders and remodelers to its 63 stores. Much of the chain's turnaround comes from contractors the chain has returned to its fold.

Of special concern is the Northeast, where competition is heating up and business industrywide is booming.

"Our California stores are in excellent shape, but our New England stores have been neglected over the years," said Jim Schaffer, the executive vp Grubstein lured from Moore's, a division of Grossman's.

Diamond's first remodeled store debuted in Bangor, Maine, on April 7, where a ceiling fan promotion ensured a customer crowd. At least four other remodelings are scheduled this year.

Wolohan adds 3 units, sees 70% earnings jump

By an NHCN staff editor

SAGINAW, Mich. — Wolohan Lumber, the industry's 25th largest chain, made impressive gains in sales and earnings in 1987, as it opened three new stores, bringing its total to 42.

The company, under the leadership of Jim Wolohan, the company's 36-year-old president who was named to the additional post of chief executive officer, saw revenues grow 17.6 percent to $228.6 million last year. DIY sales—which account for more than half of Wolohan's sales, increased 12 percent to $115.9 million. Professional sales jumped 24 percent to 112.7 million.

Wolohan's stores operate in markets where sagging agricultural and industrial industries have impacted retailers' sales and earnings. But its own net income went up a remarkable 71 percent to $9 million, or $1.53 per share, last year. This was after a year, 1986, that produced net income that was 50 percent higher than the pervious 12-month period.

This profit performance is correlative to the chain's increase in gross margins in 1987. Last year, margins rose to 27.1 percent, up from 26 percent in 1986.

During the year, the company opened three stores in Grayline, Traverse and Gaylord, Mich., built a new retail sales area onto its Columbus, Ind., unit, and remodeled and expanded its Elkhart, Ind., store. All told, the chain increased its total retail square footage by 11 percent.

Wolohan intends to open three to five new units in 1988, and will complete the expansion and remodeling of its Kettering, Ohio, store sometime this spring. The company is also expanded its headquarters office by 133 percent to 28,000 square feet.

The chain has also made a big push into installed sales, introducing this service in 1987. All of its units provide the service for barn and deck packages, and 29 Wolohan units offer an installed vinyl window program.

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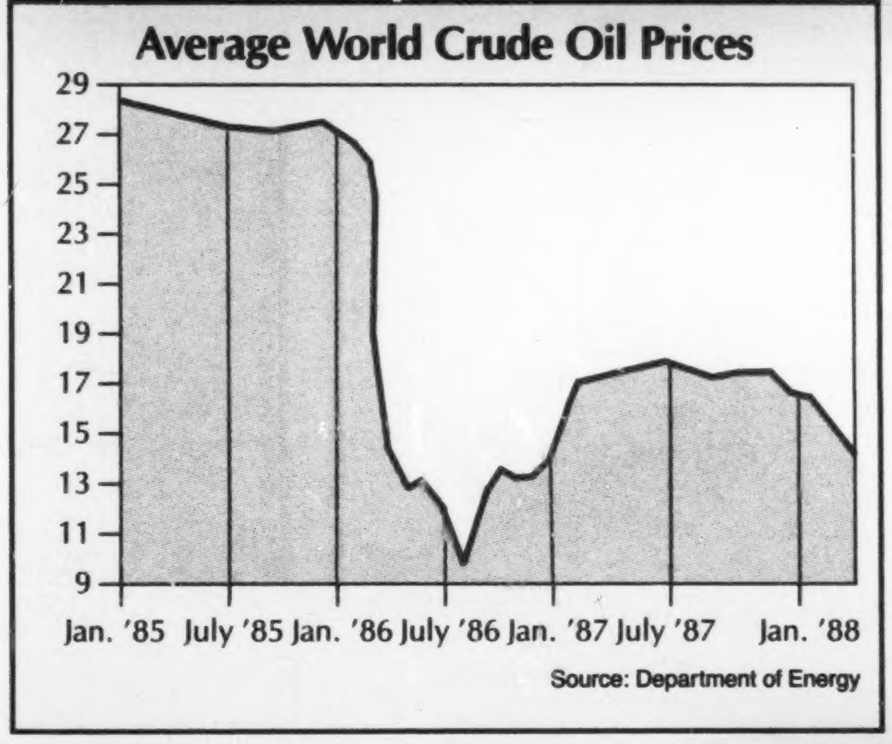
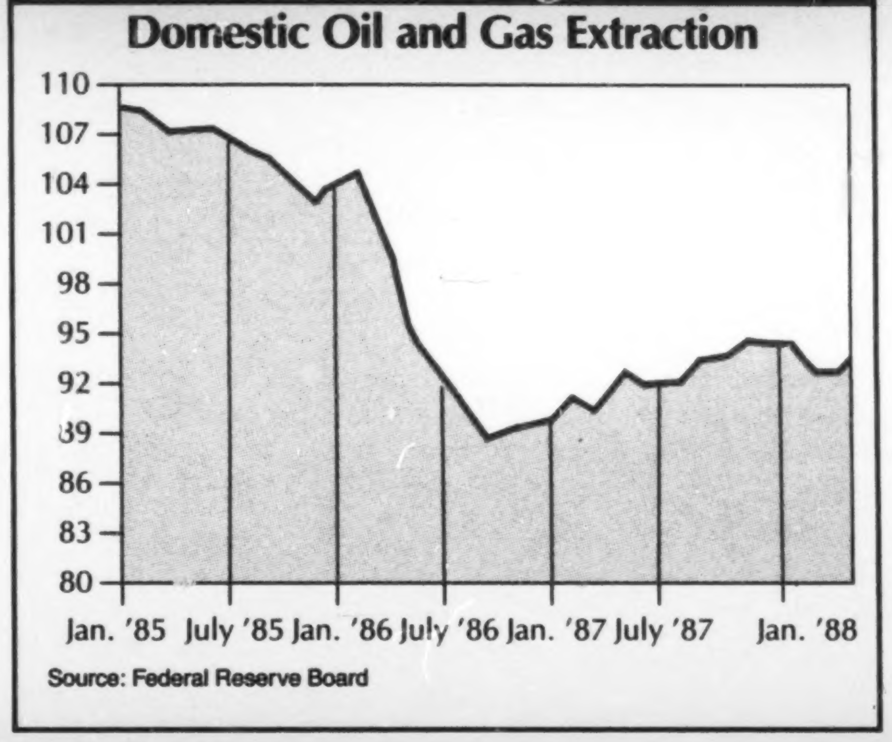


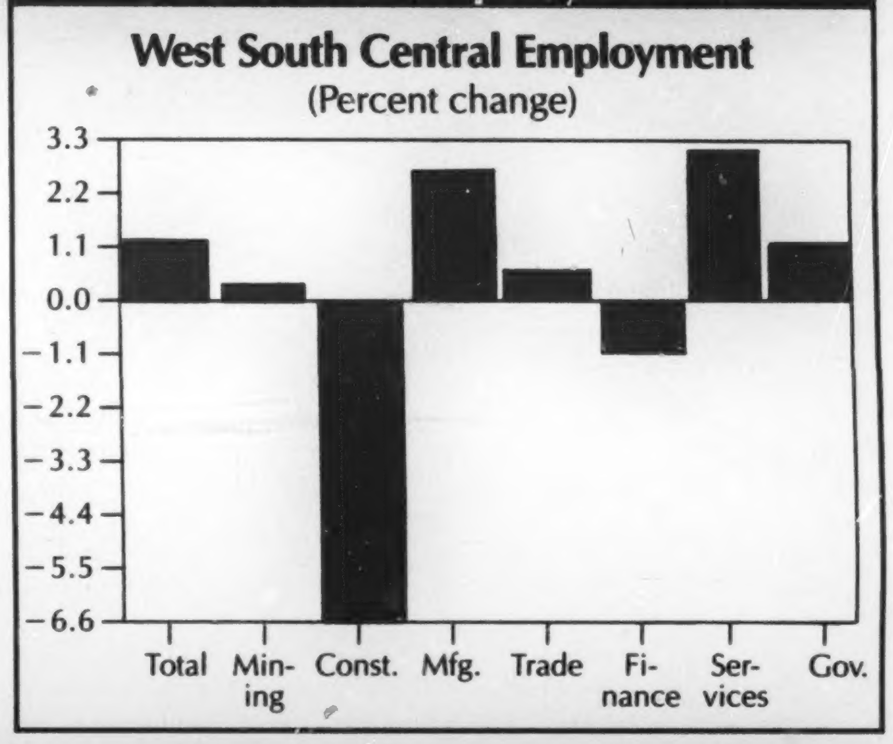
Source: Department of Energy

. . . raises domestic mining from its trough . . .



Source: Federal Reserve Board

. . . increasing West South Central employment



Slow sales in West South Central states reflect soft economy

By Richard E. Mount
Special to NHCN

Building materials sales in the West South Central states are likely to increase 0.7 percent this year versus a decline of 1 percent in 1987. The softness in this market's economy continues as this year's gain will remain below the 4.6 percent national rise and the region is still recovering from two weak years. Adjusted for expected price increases, the decline in 1988 will be 4.3 percent.

Energy prices are in the news again as OPEC attempts to develop a world producers' consensus on pricing. OPEC is suggesting a further 5 percent cutback in its own production, matched by a 5 percent cut by non-OPEC producers, to raise world oil prices. Oil prices on spot markets have recently increased to $18-plus per barrel, frightening financial markets. With spot markets accounting for only a fraction of demand, however, world oil prices are closer to $16. For the economies of the West South Central states, higher oil prices and the resulting increase in domestic mining activity would be good news.

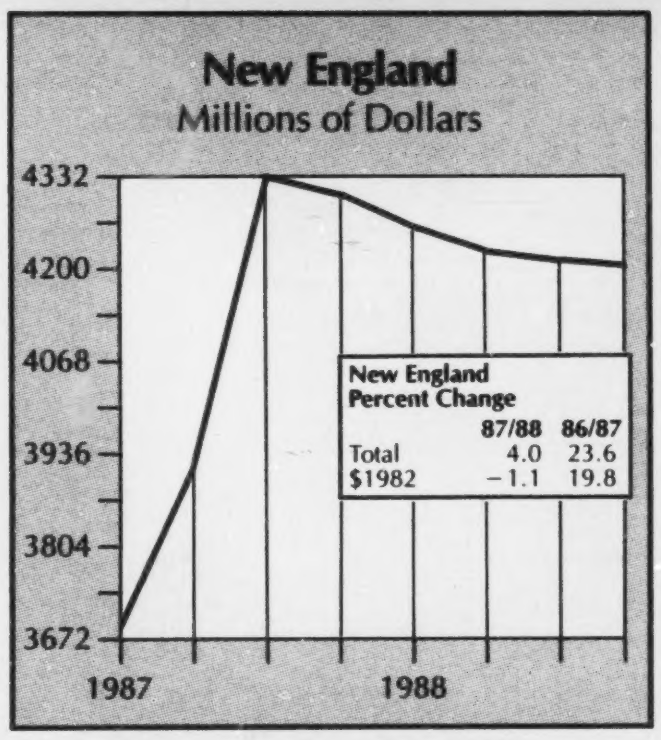
Richard E. Mount

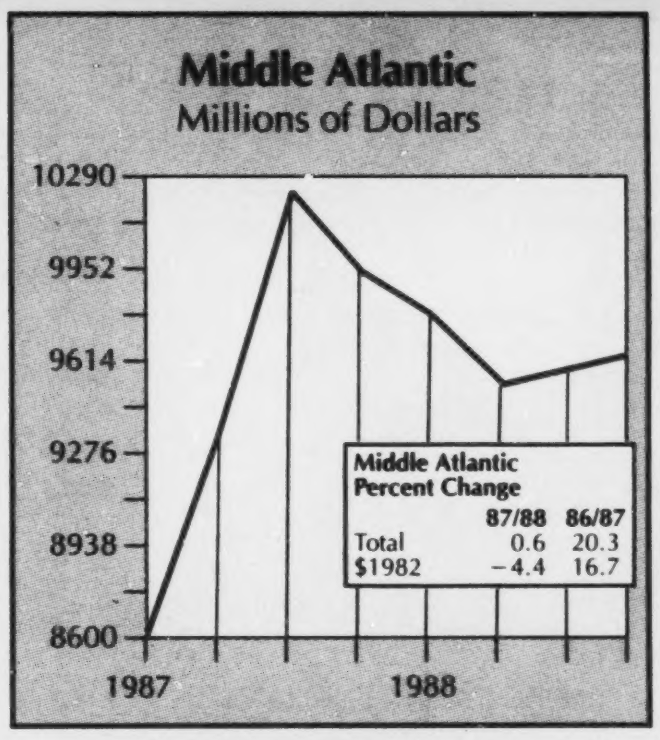
Arkansas is the strongest in the region, with employment gains of 4.3 percent from a year ago, well above the national average of 3 percent. Louisiana is the second strongest with employment up only 2.1 percent. Texas, suffering also from problems in its banking system, is third with a rise of 1.2 percent.

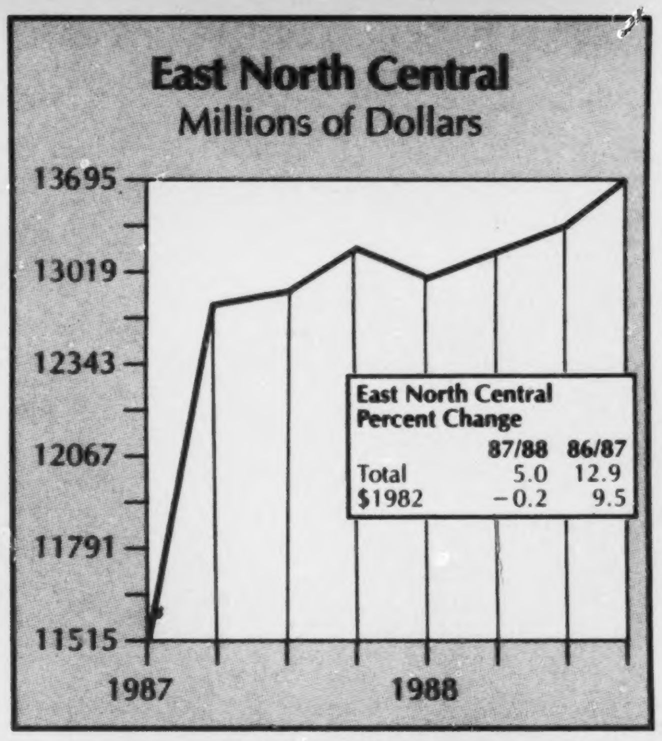
For building materials sales in the West South Central states, the expected rise in oil prices will continue the slow upturn in employment in the region. Oklahoma, in particular, will be pressured by the weakness in domestic drilling activity. It will not be until oil prices reach $22 to $25 per barrel, a development not expected until 1991 or 1992, that the region will begin to truly regain its prior strength.

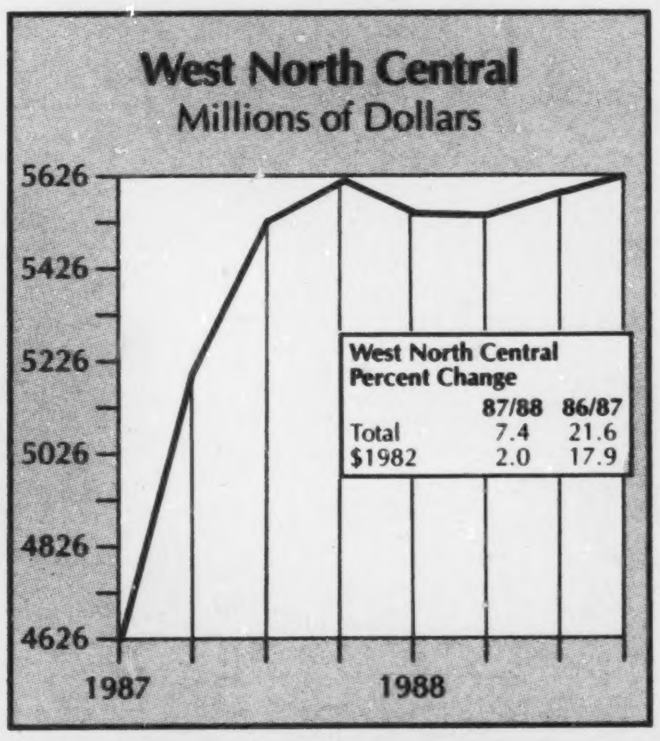
Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

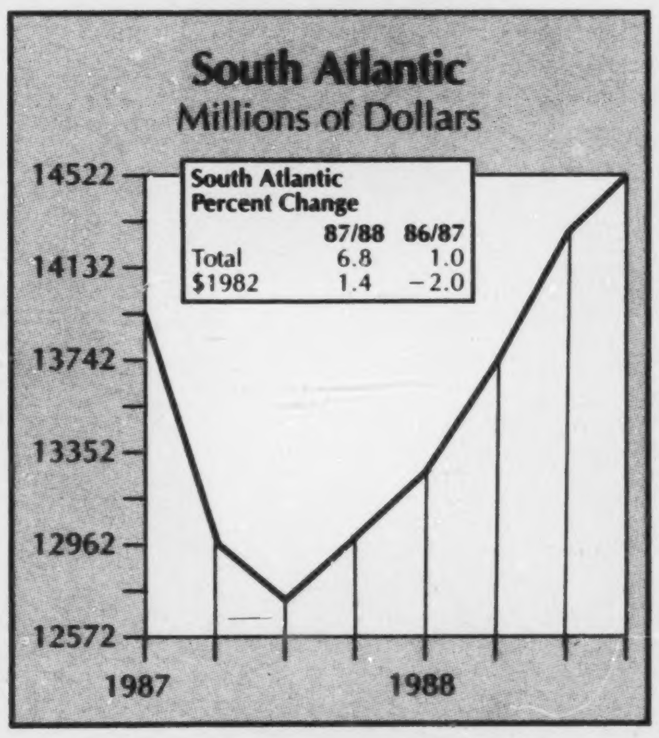
Regional Outlook: Building Material Sales

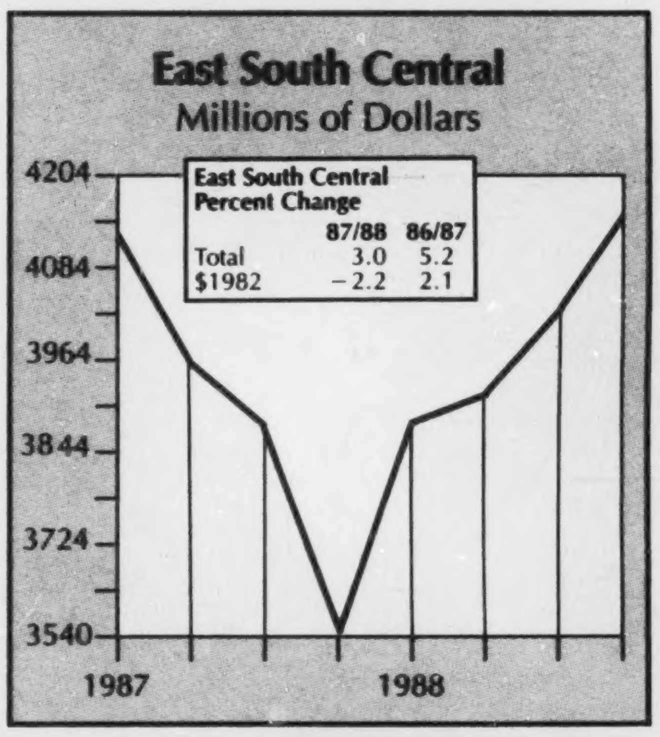

New England
Millions of Dollars

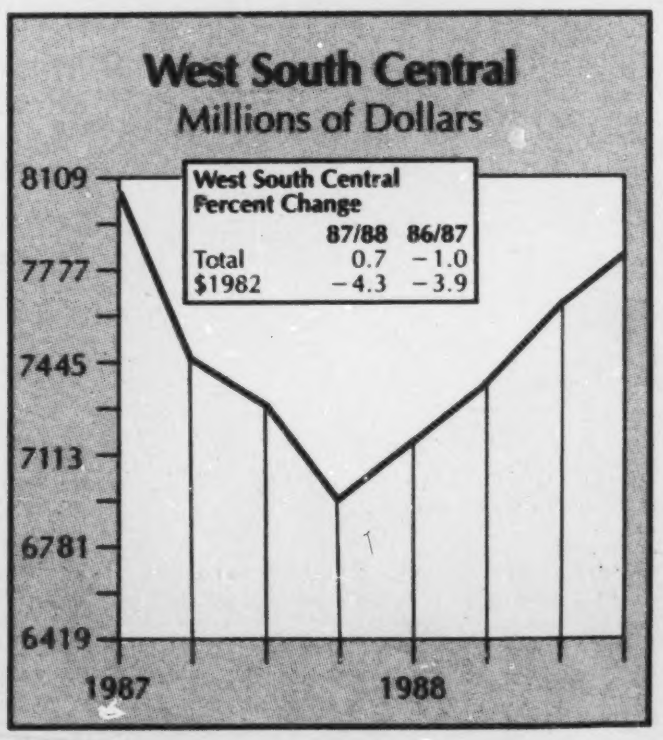

Middle Atlantic
Millions of Dollars

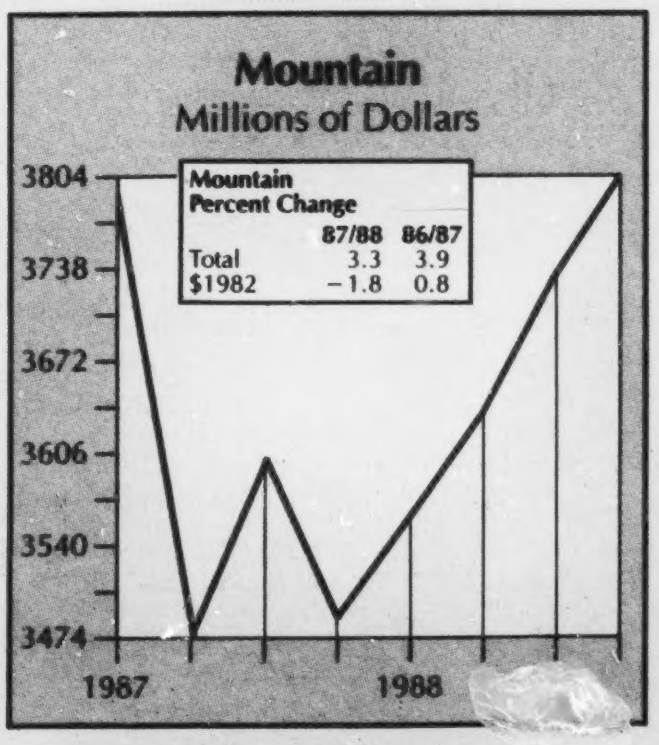

East North Central
Millions of Dollars

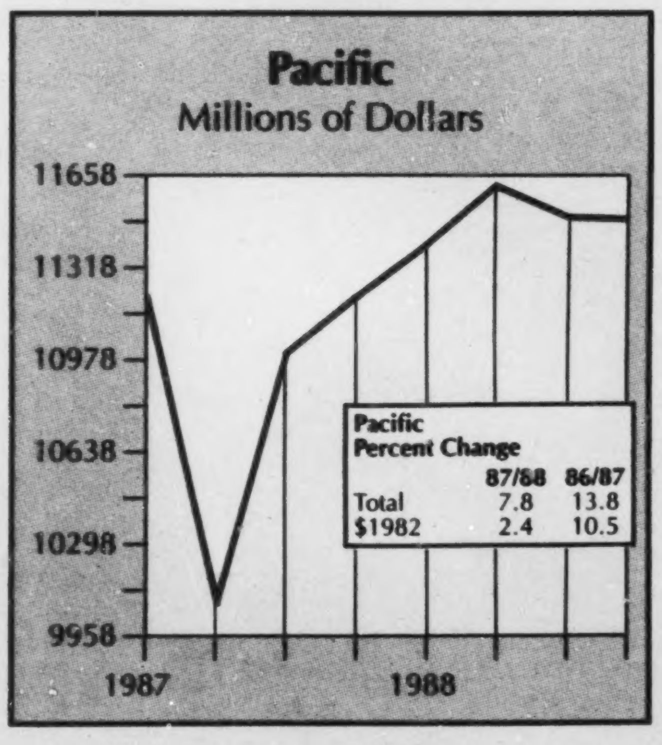

West North Central
Millions of Dollars


South Atlantic
Millions of Dollars


East South Central
Millions of Dollars


West South Central
Millions of Dollars


Mountain
Millions of Dollars


Pacific
Millions of Dollars

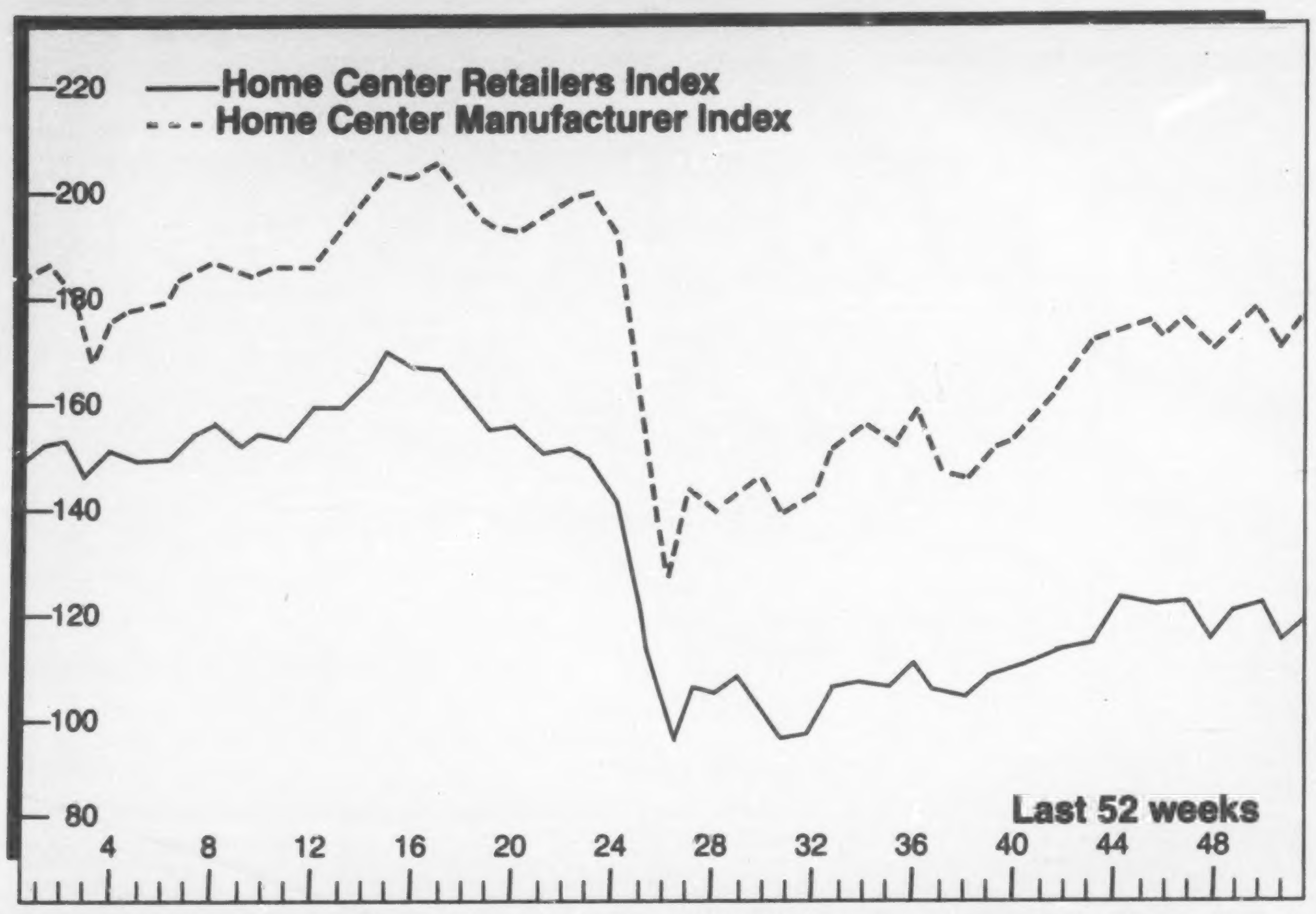
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Business Watch

stocks



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on April 29, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Market continues mixed show

The market continued to be mixed for 55 home center retailers, manufacturers and wholesalers tracked for *NHCN* by Media General.

Of the 55, 30 were up, 22 were down and three were flat for the two-week period ending April 29.

Leading the retail gainers was Standard Brands Paint, which jumped 12.6 percent to close at $13.38. Next on the list was Home Depot, with a 7.8 percent gain to $26.

Retail losers included Grossman's, whose stock dropped 6.5 percent, to $7.25, after the company announced a net first quarter loss of $9.1 million or 35 cents per share. Grossman's sales, however, were up 7.5 percent, to $204 million.

Zayre Corp. was also a loser, dropping 5.2 percent to close at $22.75.

Three of four wholesalers also posted losses, ranging from 5.9 percent to 1.4 percent. Only California-based Stanline was up slightly, 0.9 percent, to $13.38.

On the manufacturing side, USG showed the biggest gain, 11.9 percent, as Desert Partners upped its bid to $50 per share. USG's stock closed at $41.

Owens-Corning was also up, 9.3 percent to close at $20.50. And Ply-Gem was up 7.6 percent to $14.13, after the company announced it would make a $5 million profit from its aborted purchase of Wolverine Technologies. Chief among the manufacturing losers was Clairson International, whose stock dropped 13 percent to close at $5.

Gainers
30

Unchanged
3

Losers
22

HOME CENTER MARKET SUMMARY

National Home Center News

	Stock Market											Financial Update																	
	Price							Volume																					
	2-Weeks Ended	2-Weeks Change		2-Week Range		52-Week Range		2-Weeks Shares Traded		12-Week Avg. Vol.	Volume Trend	P/E	Indicated Divd. Rate		Latest Report			Latest Quarter						Year-to-Date					
															New		Date	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.	
Company and Market	4-29-88	Amt.	Pct.	High	Low	High	Low	Total	% Out	As % Out	Change	Ratio	Amt.	Yld.	Report	Period	Ended	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods M	6.00	- .25	- 4.0	6.25	5.75	11.75	4.00	494	1.23	1.05	17.1	13.0	.00	.0	.....	3 mos.	02-88	14.9	15.5	- .1	- 100.0	- .03	- 100.0	14.9	15.5	- .1	- 100.0	- .03	- 100.0
Grossman's Inc M	7.25	- .50	- 6.5	7.88	7.13	10.25	4.13	6,906	2.64	2.79	- 5.4	14.5	.00	.0	NEW	3 mos.	03-88	204.0	6.3	- 9.1	NE	- .35	NE	204.0	6.3	- 9.1	NE	- .35	NE
Hechinger A M	17.25	- .75	- 4.2	17.75	17.00	26.50	14.25	6,013	5.50	3.31	66.2	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	17.25	- .75	- 4.2	18.00	17.25	26.75	15.50	591	.36	.33	9.1	14.7	.06	.3	.....	fiscal	01-88	171.5	22.2	10.8	24.1	.28	.0	725.1	23.2	40.0	41.3	1.17	27.2
Home Depot N	26.00	1.88	7.8	27.13	24.25	28.09	12.13	14,854	3.02	1.97	53.3	23.0	.08	.3	.....	fiscal	01-88	374.0	36.5	16.0	107.8	.32	77.8	1453.7	43.7	54.1	126.4	1.13	88.3
INTERCO Inc N	41.13	- .75	- 1.8	42.75	41.00	54.00	29.50	6,936	1.85	1.02	81.4	11.8	1.72	4.2	.....	fiscal	02-88	793.1	21.7	36.6	18.1	.93	- 6.1	3341.4	27.8	145.0	47.1	3.50	11.8
K mart Cp N	33.50	.13	.4	35.00	33.00	48.38	21.63	38,526	1.89	1.30	45.4	9.9	1.32	3.9	NEW	fiscal	01-88	7755.0	11.8	321.0	6.8	1.58	6.0	25627.0	7.6	692.0	15.7	3.40	14.1
Lowe's Cos N	20.00	.38	1.9	20.63	19.13	29.38	15.25	6,306	1.59	.81	96.3	13.0	.44	2.2	.....	fiscal	01-88	502.4	1.0	8.9	- 11.0	.22	- 12.0	2442.2	6.9	61.2	11.1	1.54	9.2
Natl Hardgoods M	5.50	.00	.0	5.75	5.38	9.25	3.75	71	.52	.56	- 7.1	8.7	.00	.0	NEW	fiscal	01-88	12.7	19.8	.4	- 20.0	.32	- 8.6	45.8	25.8	.8	- 20.0	.63	- 10.0
Natl Lumber M	3.00	.13	4.3	3.00	2.75	6.50	2.75	228	.40	.45	- 11.1	NE	.00	.0	.....	fiscal	01-88	37.9	- 2.6	- .5	NE	- .08	NE	158.8	5.9	.0	NE	.00	NE
Payless Cash N	17.50	- .13	- .7	18.75	16.63	24.50	9.63	14,280	4.12	3.46	19.1	22.2	.16	.9	.....	3 mos.	02-88	357.7	7.7	2.6	- 25.7	.08	- 20.0	357.7	7.7	2.6	- 25.7	.08	- 20.0
Scotty's Inc N	14.75	.25	1.7	15.00	14.25	15.88	10.00	710	.49	.49	.0	18.7	.52	3.5	NEW	9 mos.	03-88	137.3	2.0	3.5	16.7	.23	9.5	394.5	4.1	8.3	18.6	.56	16.7
Sears, Roebuck N	35.88	1.00	2.9	36.50	33.88	59.50	26.00	65,963	1.74	.94	85.1	8.8	2.00	5.6	NEW	3 mos.	03-88	12157.9	16.0	179.5	- 37.7	.47	- 37.3	12157.9	16.0	179.5	- 37.7	.47	- 37.3
Std Brd Pnt N	13.38	1.50	12.6	13.50	10.63	31.88	10.63	2,321	2.06	1.30	58.5	38.2	.00	.0	NEW	fiscal	01-88	68.9	- 6.5	- 6.3	- 100.0	(1.20)	- 100.0	305.5	- 6.5	6.5	- 56.7	.35	- 73.7
Strober Organiz M	11.00	.25	2.3	11.25	10.75	14.75	6.25	295	.49	.70	- 30.0	12.6	.00	.0	.....	fiscal	12-87	26.4	9.5	1.0	- 16.7	.17	- 22.7	101.6	10.0	5.3	6.0	.87	- 10.3
Wickes Cos N	10.63	.50	4.9	11.13	10.13	25.00	7.25	9,541	1.99	1.58	25.9	13.8	.00	.0	.....	fiscal	01-88	832.5	- 40.9	8.9	102.3	.16	NE	3476.9	- 27.1	41.6	- 43.7	.77	- 45.0
Wolohan Lumber M	15.25	.38	2.5	15.25	14.63	18.75	8.75	2,120	3.62	1.61	124.8	10.0	.24	1.6	.....	fiscal	12-87	56.8	8.2	2.7	58.8	.46	58.6	228.6	17.6	9.0	69.8	1.53	70.0
Zayre Corp N	22.75	- 1.25	- 5.2	25.38	22.25	37.00	13.50	65,051	11.47	6.26	83.2	10.8	.40	1.8	.....	fiscal	01-88	1886.1	6.1	2.4	- 94.5	.07	- 90.4	6186.5	15.6	122.8	32.9	2.10	35.5
Wholesalers																													
Hughes Supply N	27.38	- .38	- 1.4	28.38	27.00	30.25	19.75	590	1.77	.66	168.2	9.9	.44	1.6	.....	fiscal	01-88	114.3	33.1	2.5	47.1	.78	50.0	432.4	24.3	9.2	35.3	2.77	31.9
Moore Handley M	4.00	- .25	- 5.9	5.00	4.00	9.50	3.75	247	1.01	.26	288.5	NE	.00	.0	NEW	3 mos.	03-88	25.8	9.3	- .1	- 100.0	- .02	- 100.0	25.8	9.3	- .1	- 100.0	- .02	- 100.0
Lewis Palmer M	8.50	- .38	- 4.2	9.50	8.38	9.50	5.75	3,683	9.76	2.00	388.0	21.3	.28	3.3	.....	fiscal	01-88	46.8	.0	2	100.0	.04	100.0	216.6	15.7	1.6	23.1	.40	21.2
Stanline Inc M	13.38	.13	.9	13.63	13.25	13.38	6.19	296	1.66	1.89	- 12.2	11.6	.32b	2.4	.....	3 mos.	01-88	16.1	15.0	.5	66.7	.26	36.8	16.1	15.0	.5	66.7	.26	36.8
Manufacturers																													
Am Consum Prods M	13.00	.50	4.0	13.25	12.00	14.75	7.88	406	1.95	1.52	28.3	16.3	.00	.0	.....	fiscal	12-87	16.9	83.7	.4	100.0	.18	NE	48.3	38.0	1.7	142.9	.80	48.1
Am Standard N	77.50	1.25	1.6	78.25	76.13	78.25	30.50	8,901	2.85	7.36	- 61.3	18.5	1.80	2.3	.....	fiscal	12-87	901.9	17.2	41.3	25.2	1.31	32.3	3399.8	13.4	133.3	- 31.0	4.18	- 20.8
Am Woodmark M	9.25	- .13	- 1.3	9.75	9.25	15.75	6.50	155	.23	.39	- 41.0	10.8	.00	.0	.....	9 mos.	01-88	29.9	14.1	.7	- 41.7	.10	- 37.5	96.0	11.0	4.4	- 17.0	.64	- 19.0
Armstrng Wrld N	38.75	- 1.13	- 2.8	40.25	37.50	47.38	22.50	16,236	3.51	2.33	50.6	12.2	1.00	2.6	.....	fiscal	12-87	605.0	21.9	33.5	11.3	.72	14.3	2365.0	23.2	150.4	22.9	3.18	25.2
Black & Decker N	20.75	1.00	5.1	21.25	19.13	26.50	13.00	33,156	5.67	3.67	54.5	16.0	.40	1.9	NEW	6 mos.	03-88	537.8	22.6	21.2	130.4	.36	125.0	1150.1	18.8	52.3	65.5	.89	64.8
Boise Cascade N	44.75	- 1.25	- 2.7	47.38	44.38	51.16	28.81	18,693	4.14	1.48	179.7	10.2	1.20	2.7	NEW	3 mos.	03-88	1016.3	11.4	68.5	70.4	1.47	86.1	1016.3	11.4	68.5	70.4	1.47	86.1
Champ Intl N	33.75	- .75	- 2.2	35.38	33.38	44.63	21.75	36,066	3.80	1.91	99.0	7.5	.80	2.4	NEW	3 mos.	03-88	1266.1	15.4	102.0	83.8	1.07	81.4	1266.1	15.4	102.0	83.8	1.07	81.4
Clairson Intl M	5.00	- .75	- 13.0	5.75	4.75	18.25	4.75	603	1.18	1.28	- 7.8	8.6	.00	.0	.....	3 mos.	12-87	23.7	45.4	.4	100.0	.08	60.0	23.7	45.4	.4	100.0	.08	60.0
Cooper Indus N	59.00	- .50	- .8	60.38	58.38	74.50	39.00	13,700	2.70	1.20	125.0	16.6	1.80	3.1	NEW	3 mos.	03-88	925.5	15.6	32.2	16.7	.64	14.3	925.5	15.6	32.2	16.7	.64	14.3
DeSoto Inc N	29.75	- .63	- 2.1	30.50	29.63	42.00	21.00	572	1.44	.95	51.6	11.6	1.40	4.7	NEW	3 mos.	03-88	97.5	8.0	1.8	- 18.2	.44	- 18.5	97.5	8.0	1.8	- 18.2	.44	- 18.5
Emhart Corp N	21.50	.13	.6	22.38	20.63	26.63	15.50	4,414	.70	.60	16.7	12.1	.80	3.7	NEW	3 mos.	03-88	694.5	15.3	32.6	16.4	.53	17.8	694.5	15.3	32.6	16.4	.53	17.8
Georgia Pacific N	40.25	.75	1.9	41.00	39.13	48.38	22.75	29,280	2.76	1.67	65.3	8.9	1.20	3.0	.....	3 mos.	03-88	2115.0	14.0	106.0	32.5	1.02	43.7	2115.0	14.0	106.0	32.5	1.02	43.7
Insilco Corp N	19.75	1.25	6.8	20.25	18.38	28.13	14.00	5,590	2.68	1.16	131.0	NE	1.00	5.1	NEW	3 mos.	03-88	186.2	6.0	10.0	28.2	.47	27.0	186.2	6.0	10.0	28.2	.47	27.0
La Pacific N	31.38	1.00	3.3	32.13	29.75	39.75	21.50	8,903	2.32	1.11	109.0	9.6	.80	2.5	.....	fiscal	12-87	478.1	25.1	31.3	86.3	.82	82.2	1921.6	27.6	125.0	92.6	3.27	90.1
Macmillan Bloedel M	15.88	.50	3.3	15.88	15.13	23.50	12.00	11,368	1.11	.55	101.8	NA	.85	NA	.....	fiscal	12-87	791.5	46.0	62.9	170.0	.57	256.3	3134.5	24.8	280.6	110.5	2.56	139.3
Manville Cp N	2.25	- .13	- 5.3	2.50	2.00	5.38	2.00	11,309	4.71	1.04	352.9	.4	.00	.0	NEW	3 mos.	03-88	502.2	5.7	35.7	- 16.8	1.23	- 19.1	502.2	5.7	35.7	- 16.8	1.23	- 19.1
Masco Corp N	26.13	- .38	- 1.4	28.38	25.88	39.25	18.75	21,115	1.59	.93	71.0	14.3	.40	1.5	NEW	3 mos.	03-88	556.0	23.6	79.6	43.4	.60	42.9	556.0	23.6	79.6	43.4	.60	42.9
Mor-Flo Inds M	5.50	.00	.0	6.25	5.50	12.75	5.50	81	.33	.15	120.0	NE	.01	.2	.....	fiscal	12-87	49.8	5.3	- 2.9	NE	(1.17)	NE	204.2	4.6	- 3.3	- 100.0	(1.31)	- 100.0
Newell Co N	38.00	- 1.75	- 4.4	39.75	38.00	43.00	21.13	2,852	2.47	1.22	102.5	13.2	1.00	2.6	NEW	3 mos.	03-88	236.2	133.2	9.9	62.3	.64	25.5	236.2	133.2	9.9	62.3	.64	25.5
Nortek Inc N	8.63	.25	3.0	8.75	8.00	14.75	5.00	2,279	1.49	1.19	25.2	NE	.10	1.2	.....	fiscal	12-87	269.9	- 6.8	- 18.1	- 100.0	(1.14)	NE	1245.8	29.4	- 6.7	- 100.0	- .43	- 100.0
Owens Corn N	20.50	1.75	9.3	22.00	18.13	32.38	9.00	12,975	3.46	2.60	33.1	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem A	14.13	1.00	7.6	14.38	12.88	17.75	9.00	1,031	.92	1.03	10.7	21.4	.12	.8	.....	fiscal	12-87	76.1	32.3	- 3.0	- 100.0	- .25	- 100.0	312.8	38.2	7.5	- 7.4	.66	- 28.3
Pope & Talbot N	20.00	- .25	- 1.2	20.25	19.50	27.25	9.75	4,002	3.35	2.21	51.6	8.2	.50	2.5	NEW	3 mos.	03-88	115.7	15.4	8.0	19.4	.67	21.8	115.7	15.4	8.0	19.4	.67	21.8
Potlatch Cp N	30.88	.50	1.6	31.75	29.75	39.25	21.00	2,446	.92	.54	70.4	8.9	.92	3.0	NEW	3 mos.	03-88	258.2	3.9	26.5	48.9	.95	50.8	258.2	3.9	26.5	48.9	.95	50.8
PPG Inds N	42.88	2.63	6.5	43.38	38.25	53.50	27.50	29,272	2.45	.97	152.6	12.1	1.20	2.8	NEW	3 mos.	03-88	1373.4	8.9	118.6	36.5	1.07	46.6	1373.4	8.9	118.6	36.5	1.07	46.6
Sherwin-Wms N	26.63	.00	.0	27.00	24.75	37.25	20.13	12,474	2.85	1.11	156.8	12.3	.64	2.4	NEW	3 mos.	03-88	412.0	8.3	8.4	.0	.19	11.8	412.0	8.3	8.4	.0	.19	11.8
Stanley Works N	29.25	.63	2.2	30.00	27.75	36.63	21.25	5,361	1.25	.65	92.3	14.1	.88	3.0	NEW	3 mos.	03-88	466.3	11.9	21.3	20.3	.49	19.5	466.3	11.9	21.3	20.3	.49	19.5
Thos Inds N	21.63	.75	3.6	22.00	21.00	22.38	13.81	981	.93	.82	13.4	13.2	.68b	3.1	.....	fiscal	12-87	80.5	6.5	4.8	50.0	.47	51.6	321.9	8.7	17.1	33.6	1.64	33.3
Triangle Ind N	29.75	1.75	6.3	29.75	27.25	44.00	22.50	6,405	2.83	1.65	71.5	15.7	.12	.4	.....	fiscal	12-87	995.8	27.1	- 34.5	NE	(1.19)	NE	4336.1	62.5	55.5	18.1	1.90	- 26.1
Union Camp N	34.13	.63	1.9	35.13	33.25	47.63	26.00	16,203	2.20	1.07	105.6	10.7	1.24	3.6	NEW	3 mos.	03-88	645.4	20.2	67.7	53.2	.95	58.3	645.4	20.2	67.7	53.2	.95	58.3
USG Corp N	41.00	4.38	11.9	43.00	36.38	55.88	23.50	56,374	10.95	4.77	129.6	10.4	1.12	2.7	.....	fiscal	12-87	725.8	4.4	17.2	- 69.6	.33	- 64.5	2898.1	6.4	204.3	- 9.4	3.96	11.9
Waxman Ind M	14.25	1.13	8.6	14.25	13.13	14.25	7.25	2,977	4.72	2.00	136.0	17.8	.10	.7	.....	6 mos.	12-87	38.1	41.1	1.5	87.5	.24	84.6	72.9	35.8	2.8	75.0	.45	80.0
Weyerhaeuser N	37.50	- .13	- .3	38.88	35.63	57.50	19.00	44,895	3.29	1.24	165.3	11.8	1.80	4.8	.....	fiscal	12-87	1783.5	22.9	129.4	34.7	.91	30.0	6989.8	23.7	446.6	61.4	3.18	66.5

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

More earnings with fewer units was 1987's hallmark

(Continued from page 1)

Lumber, Wickes and its subsidiaries—together closed enough stores to launch a good sized national chain.

While many of the aggregate 150 units that the industry closed were subsequently replaced in other markets (between 50 and 60 new stores were opened by retailers in 1987), the abandoned units reflected an industry eager to flee poor markets and improve same store sales.

Indeed, the continued recession in the Oil Patch—where much of this closure activity took place—stood in sharp contrast to the boom of the Northeast, where competition between firms there became more intense. Hechinger moved to New England and Long Island, N.Y. Builders Square also is moving into the Boston region.

While major bankruptcies or reorganizations were not as commonplace as in previous years in the industry, there were some notable filings.

The most prominent was the Chapter 11 filing of Diamond Lumber, Dallas, in April. It shutdown 33 units during the reorganization and emerged from Chapter 11 with 63 units last month.

Plywood Ranch, Braintree, Mass., the beleaguered New England chain that never seemed able to reap the rewards of its busy and rich market, pulled the plug. Management dissolved the 11-unit chain a few months after filing Chapter 11.

Perhaps the most dramatic bankruptcy was the collapse of Homeowners Outlet Mall Exchange, the home improvement shopping mall concept launched in Coral Springs, Fla. Under a veil of suspicion, the company liquidated owing some 400 vendors $3.06 million. Many vendors and investors told *NHCN* they were never paid in the year of the company's founding and could never reach company executives to quell their concerns.

In merchandising and operations, one of the more noticeable trends was the increasing commitment by both large and small companies to kitchen and bathroom departments, supported in many stores by interior design services.

Some dealers also became more actively concerned about issues that are or will affect their operations. For instance, lien law reform emerged as a topic of intensifying discussion as Texas lumber dealers succeeded in convincing their state governments to protect their interest on job sites, while dealers in Ohio and Colorado began lobbying for lien reform as well.

Other issues dealers grappled with in 1987, and which seemed destined to carry on this year, included:

- The shortage of workers in New England;
- The elimination of rebates, notably by Cotter and K mart, and what effect this will have on manufacturer promotions;
- Spot shortages of lumber;
- The Canadian lumber export tax; and
- The Florida ad tax, which found suppliers mounting a unified and successful front against a 5 percent surcharge that the state's governor eventually rescinded.

Another issue that loomed prominently in 1987 was safety. The deaths of two children at the two leading warehouse chains—Home Depot and Builders Square—prompted the National Retail Hardware Association to kick off a council to advise retailers on ways to help in safety issues.

Staid as it may be to the outside world, lumber products and lumber prices proved to have a memorable year. Prices hit record highs and record consumption, brought on chiefly by major forest fires, drought, and continued strong housing demand in the Northeast, Florida and California. In terms of specific products, treated lumber and redwood enjoyed record-breaking years for consumption and the trend is expected to continue in 1988.

Builders Square was one of the major beneficiaries from this. The San Antonio, Texas-based warehouse chain saw sales increase by 100 percent and its store growth by 31 units. But with Builders Square seeping in 1987 into virtually every major metropolitan market—with the exception of Boston, San Francisco, Phoenix, and New York—its store growth is expected to slacken in 1988.

While many medium-sized companies grew into large concerns in 1987—notably Westlake Hardware and Handy Andy—some lesser known operations also went on an acquisition binge.

For instance, The Strober Organization in Brooklyn, N.Y., began the process of acquiring the three-unit General Building Supply of East Hartford, N.H., a deal that closed in the first quarter of this year.

Wholesalers also showed some confidence by buying other concerns.

Hughes Lumber, Orlando, Fla., started it all in January when it purchased Paine Supply, Jackson, Miss., distributor and USCO, Monroe, N.C.

CoastAmerica purchased the Otasco auto chain and attempted to buy MacLeod's in Canada.

Bunzl USA, Florham Park, N.J., bought EESCO INC., an electrical distributor based in Chicago and Sterling Engineered Products distribution center in Columbus, Ohio. It also purchased Stanline, one of the more profitable building materials distributors in the country.

That confidence comes after the stock market crash last Oct. 19, which in retrospect was not as calamitous for dealers as initially expected.

However, a few companies, such as Pittsburgh's Busy Beaver and Fagen's chains, shelved plans to launch leveraged buyouts or go public. At the time of the crash, Busy Beaver was initiating an LBO from its parent, Dixons, and Fagen's was looking forward to an initial public offering.

Bridge closing gives retailers migraine

(Continued from page 7)

tive routes.

But what's more, Strober's drivers have had to lower their payloads to 10-11 feet from 12-13 feet in order to clear the tunnels they use to go into Manhattan. Gallagher estimates that each reduced load represents a loss of $300 to $400 in materials. He added the tunnel tolls are $6 for trucks each way, which can't be passed on to customers.

Bob Groeninger, sales manager at Strober's Brooklyn yard, said the company's customers have not yet complained about the delay in services caused by the closing.

"I guess it's a good sign," Groeninger said, "that they are sympathetic to our problem. But how long is that going to last?"

Andy Docar, manager of Marks Lumber, said his company is starting earlier to make deliveries across the East River. But he said the company is "trying religiously to avoid Manhattan."

Manhattan-based retailers, on the other hand, said they are not inconvenienced by the Williamsburg's closing. They further said they cannot tell if the current upswings they are experiencing in sales and orders are a result of the bridge's closing or the normal seasonal uptake in business that comes with spring.

The Williamsburg Bridge is traversed by about 250,000 of the 900,000 vehicles that come into Manhattan daily.

Local news stories on the shutdown have reported that it would take five to six years to replace the bridge.

But Victor Ross, a spokesperson for the New York Department of Transportation, the agency with jurisdiction over 846 of the city's 2,000 bridges, said if another bridge has to be built, the Williamsburg would be refurbished to sustain commercial traffic.

Index of Companies in This Issue

Company	Page
A.G. Stanley Holdings plc	5
American Standard	12
Andersen Windows	11
Atlantic Mill and Lumber Co	5
Black & Decker	12, 83
Boise Cascade	83
Builderama	5
Builders Emporium	6
Busy Beaver	7
Causeway Lumber	8
Collins & Aikman	6
Diamond Lumber	12
Do-It-Yourself Aluminum Products	5
Erb Lumber	6
Fagen's	5
General Electric Capital	6
Georgia-Pacific	5
Goodman Lumber	5
Grossman's	6,7
H. Belanger Plumbing	75
K mart	83
Louisiana-Pacific	11
Lowe's	1,6
Lumbermen's	6
Macklanburg-Duncan	5
Madison Equipment	75
Manville	11
Marks Lumber	84
Michigan General	12
Miron Lumber	7
Mr. HOW	7
Modern Way Lumber	7
Moore's	7
Neiman-Reed's Lumber City	1
Orchard Supply Hardware	6
Owens-Corning	11
Panama Machine & Supply	5
Payless DIY	5
Pay 'N Pak	6
Presto Industries	75
Reynolds Metals	5,75
Ryobi America Corp.	83
Sam's Wholesale	83
Sunset Builders Supply	83
The Home Depot	83
The Strober Organization	7,84
Triangle Pacific	7
USG Corp.	5
Ward White	5
Waxman Industries	75
Weyerhaeuser	5,11,83
Wickes Co.	6
Wickes Lumber	6
Wickes International plc	6
Wiener Enterprises	5
W.R. Grace	6

Advertisers Index

Advertiser	Page
David Allison	52, 53
Arrow Fastener	66
Bencharge	56, 57
Bemis Manufacturing	64
Cahners Expo	58, 59
Century Industries	12
Certainteed	12
Cole Sewell	8
Cooper Group	42
Croft Metals	23
Custom Building Products	54
Design House Products	85
Dexter Lock	48
D.G. Moulding	44, 45
Diamond F	35
Duracell Products	66
Dutch Boy	47
Dyna/Energx	18
Emco	30
Expo '88	69
Fluidmaster	31
Forest Technology	51
Forman Industries	11
Franklin International	66
Gemini	61
General Electric	63
General Marble	11
Gerard Metal	72
Glidden	16, 17
GTE Sylvania	11
Handy Store Fixtures	12
Holland S.W. International	73
House of Fara	68
Hunter Company	12
Interbath	11
Keller Industries	76
Kenny Window Fashion	70
Keystone Franklin	63
Keystone Steel & Wire	68
Klean Strip	33
Knauf	68
Lane Publications	84
Loctite	64
Louisiana-Pacific	36, 37
Macco Adhesives	43
Magic American	66
Makita U.S.A.	26
Manville Building Materials	39, 40, 41, 49, 50
Merillat Industries	86
Myro	22
National Manufacturing	41
National Store Fixtures	8
Newborn Brothers	11
Ohio Sealants	12
Panasonic	29
Price Pfister	24
Prime Products	83
Rainbird	66
Sentry Group	64
Sequentia	68
Spa Faucet	64
Square D	48
Stanley Door Systems	68
Stanley-Bostitch	55
Teco	8
Titan Sales Corporation	48
United Steel	8
Universal-Rundle	68
Utility Trailer	67
W.W. Henry	65
Waxman Industries	13
Weiser Lock	15
Weyerhaeuser Wood	2, 3, 4
Z-Brick	75

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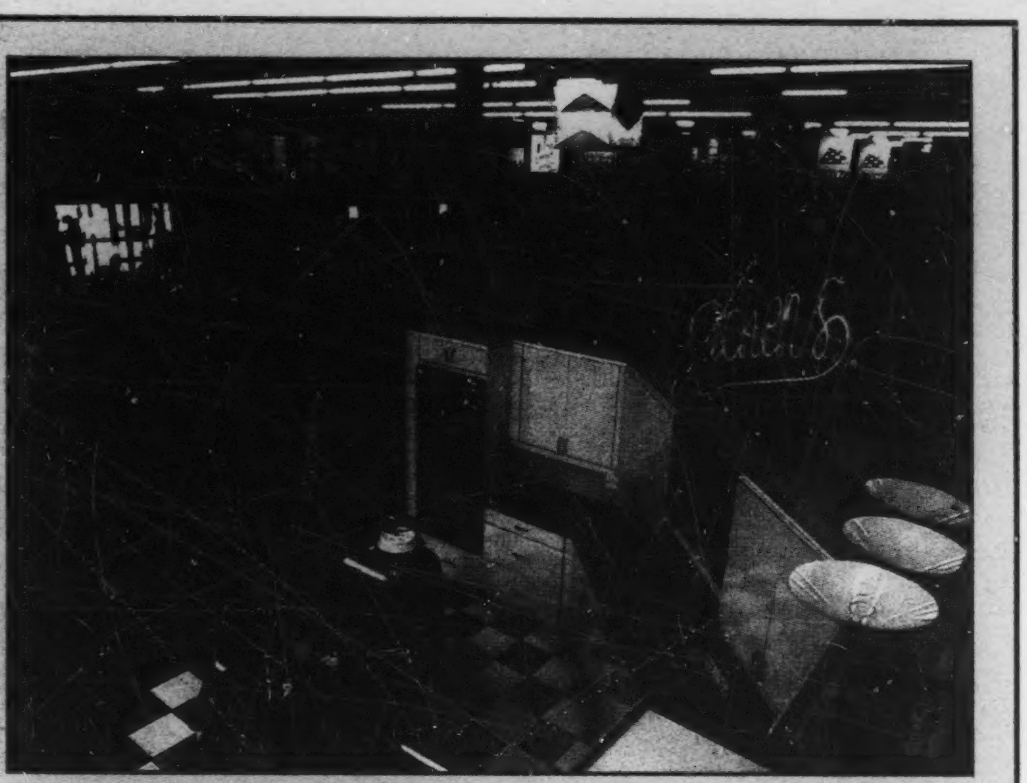


The new Mr. Goodbuys store in Westbury, N.Y. continues the chain's tradition in kitchen displays. This dramatic vignette is for a high-tech kitchen worth $40,000. NHCN photo

Retailers fighting for position in lucrative Long Island market

By Elizabeth Brent

WESTBURY, N.Y.— The opening of Mr. Goodbuys' first stores on Long Island, N.Y., on April 20 was the first shot in a barrage being fired by a number of retailers coveting the populous Nassau-Suffolk metropolitan market near New York City.

Pergament, the Melville, N.Y.-based chain, along with Rickel, Channel and other local independents, will no longer have this densely populated and affluent market to themselves.

To defend its market share, Pergament just initiated an aggressive lowest price advertising blitz aimed at blunting Goodbuys' entry.

(Continued on page 62)

Wet spring puts damper on regional commodities sales

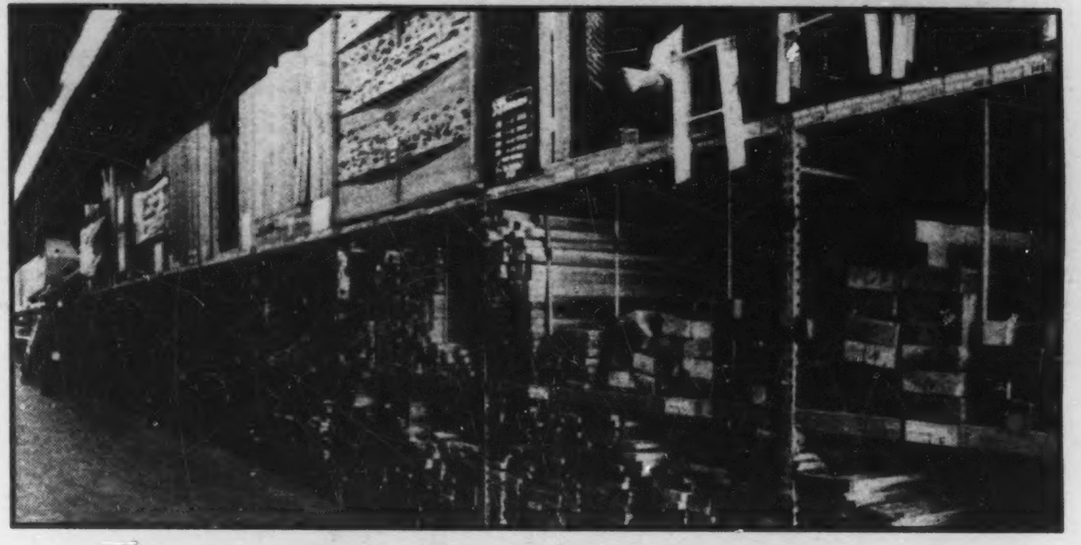
By Milford Prewitt

NATIONAL REPORT — Marred by a spring that is slow to catch on, some dealers of lumber and building materials in the Northeast and Midwest report they are sustaining high inventory levels and have canceled some orders.

In one of the more vivid examples of order cancellations, a barge heading into Pittsburgh on the Allegheny River with a cargo of 90,000 board feet of treated lumber was abandoned at the dock May 7 when a wholesaler declined to take delivery. Retailers familiar with the incident said the distributor later tried to offer their companies some of the cargo at unusually low prices.

In another case, a buyer for an aggressive New England-based chain whose company caters to contractors, lamented that lumber inventories at his company were so high during the months of March and April that some 125,000 board feet of both treated and untreated lumber on order remain in the hands of the company's wholesale suppliers.

(Continued on page 61)



Due to a wet spring in the Midwest and Northeast, dealers are finding their inventories of lumber backing up. NHCN photo

Redwood producers predicting busy season, greater demand

By Suzanne Floyd

NATIONAL REPORT — Redwood producers are looking forward to a busy deck-building season and expect heavy demand for their products as a result of their efforts to reduce freight and production costs.

The manufacturers report that kiln drying redwood at the mill for shipment east means less costly freight charges, a development that makes redwood competitive with treated lumber.

However, while production seems to be holding its own, growth is not expected in 1988, according to the Western Wood Product Association, (WWPA) in Olympia, Wash. In 1987, 2.2 million board feet of redwood were produced, but the association projected slightly less for 1988, at 2.1 million board feet.

According to the California Redwood Association (CRA),

(Continued on page 62)

Wholesalers regain place in distribution network

By Gary S. Ruderman

NATIONAL REPORT — After years of turbulence, the wholesaling sector settled down and and has become an equal partner with dealers and suppliers again in the distribution pipeline. The biggest challenges and changes for these distributors, though, are yet to come.

NHCN pegged sales growth among hardlines wholesalers at between 6 and 7 percent in 1987, based on interviews with 50 of the nation's leading hardware wholesalers, with the sales for the 40 largest companies ranked on page 16.

Most reported stronger sales in the third and fourth quarters, despite the October stock market crash, as interest rates steadied.

"Our market was stagnant until around last June and that's when our business started to take off," echoed Robert Morse, president of Morse Hardware in Bellingham, Wash.

(Continued on page 16)

More census stories begin on page 15

Earnings chart on retailers, wholesalers and manufacturers on page 61

Home centers find barter is sometimes better than cash

By Edward McKinley

NATIONAL REPORT — When Diamond Lumber decided to concentrate on contractor business, the company's distribution centers still bulged with vast quantities of consumer goods, including a heavy burden of lawn and garden supplies.

Already in Ch. 11, the Dallas-based chain was in no position to close out the inventory at a loss. That's when Diamond management discovered barter—the trading of goods and services without cash—a form of exchange rare in the home center business.

(Continued on page 62)

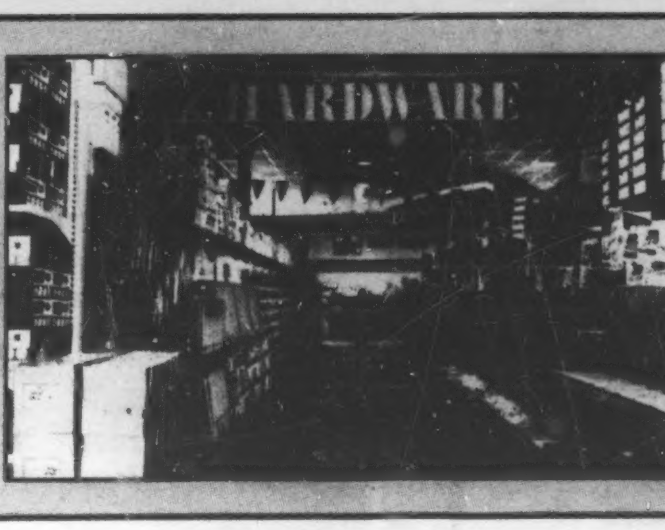
Warren Rothstein has been helping home centers with barter deals for the past four years.

INSIDE

Perspectives

NHCN's ANNUAL REPORT ON THE HOME CENTER INDUSTRY PART TWO

Hardlines wholesalers and co-ops have assumed a significant role in distribution to home improvement retailers, and their sales growth in 1987 reflects their renewed importance.



NEWSBREAKS

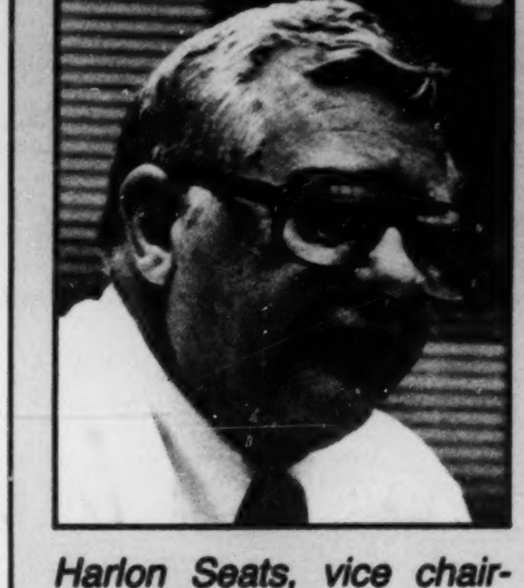
WAXMAN INDUSTRIES BUYS TWO UNITS OF STANLEY WORKS: The Bedford Heights, Ohio, plumbing and electricals supplier purchased the floor care and plumbing parts businesses from Stanley for an undisclosed price. The two units posted 1987 sales of $16 million.

PALMER G. LEWIS AGREES TO $39.1 MILLION BUYOUT: St. Louis-based Huttig Sash & Door, a subsidiary of Crane, would pay $11 per share for the Auburn, Wash., distributor, which has 3.5 million shares outstanding.

INDUSTRY UPDATE

Seats becomes retail consultant

NORTHBROOK, Ill. — Harlon Seats, former Diamond Lumber president, has been named vice chairman of Donald J. Miller & Associates here, a consulting company for suppliers and retailers in the home center and building materials industry.


Harlon Seats, vice chairman of Donald J. Miller & Associates.

Seats is working as a consultant for the company, "on a project basis when we need retail experience," said Mike Murray, company director of marketing.

Besides serving as president of Diamond, the Dallas-based, 63-store chain, Seats has worked for O'Malley Building Materials, the Phoenix-based chain, and was executive vp for Payless-Cashways, the 198-store chain headquartered in Kansas City, Mo.

Seats resigned from Diamond Lumber and gave up his board membership with Diamond's parent, Michigan General Corp., when the company filed for Chapter 11 reorganization late last year.

Ace opens Charlotte, N.C., DC

CHARLOTTE, N.C. — More than 1,000 retailers, families and invited guests coursed through Ace Hardware's new 350,000-square-foot distribution center here May 15 during its grand opening. The Charlotte "retail support center" shipped its first order April 11 and supports 325 Ace dealers in North and South Carolina, Virginia, West Virginia and Tennessee. It carries an average $13 million in inventory and 40,000 stockkeeping units.

An Ace spokesman said 95 percent of the 65 employees were local hires. The distribution center should pump $2 million a year into the local economy.

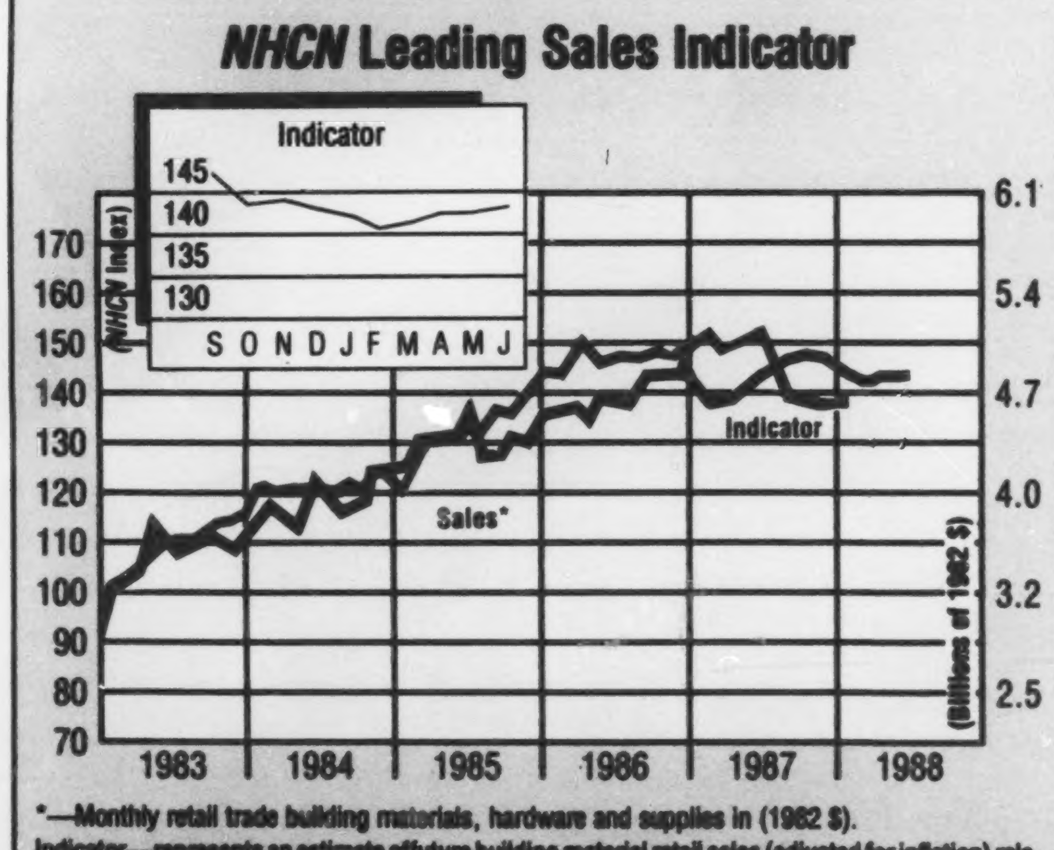
Ply Gem buys lumber treater

NEW YORK — Ply Gem Industries here acquired the Detroit-based Currier Lumber and its subsidiary Continental Wood Preservers, from its owners Fred Erb, president of Erb Lumber, Birmingham, Mich., and John Walsh, president of Currier. The May 16 transaction was for $3.8 million.

Erb acquired a half interest in Currier in 1980 when the old-line yard shifted its emphasis to lumber treatment, Erb said. Walsh will remain with the operation, which last year reported sales of $9 million, according to Ply Gem.

The Currier-Continental acquisition will operate under Ply Gem's Hoover Treated Wood Products subsidiary, Thomson, Ga.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN *Leading Indicator points to a decline in sales in the second quarter due to weakness in single-unit starts and resales. Business Watch (p. 51) highlights a rebound in consumer confidence and an improved outlook for sales.*

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British firm buys Woodbury's after 60 years as family business

By an NHCN staff editor

GLENS FALLS, N.Y. — After 60 years as a family business, Woodbury's has been sold to a British firm for an undisclosed amount.

Mike Woodbury, who owned the company with his brother, Ralph "Skeets" Woodbury, said they decided to sell because "we didn't have a generation that's ready to come in, and my brother and I felt it was just getting too big to hold on to."

The brothers closed the deal with Harrisons & Crosfield on April 30.

First step in U.S.

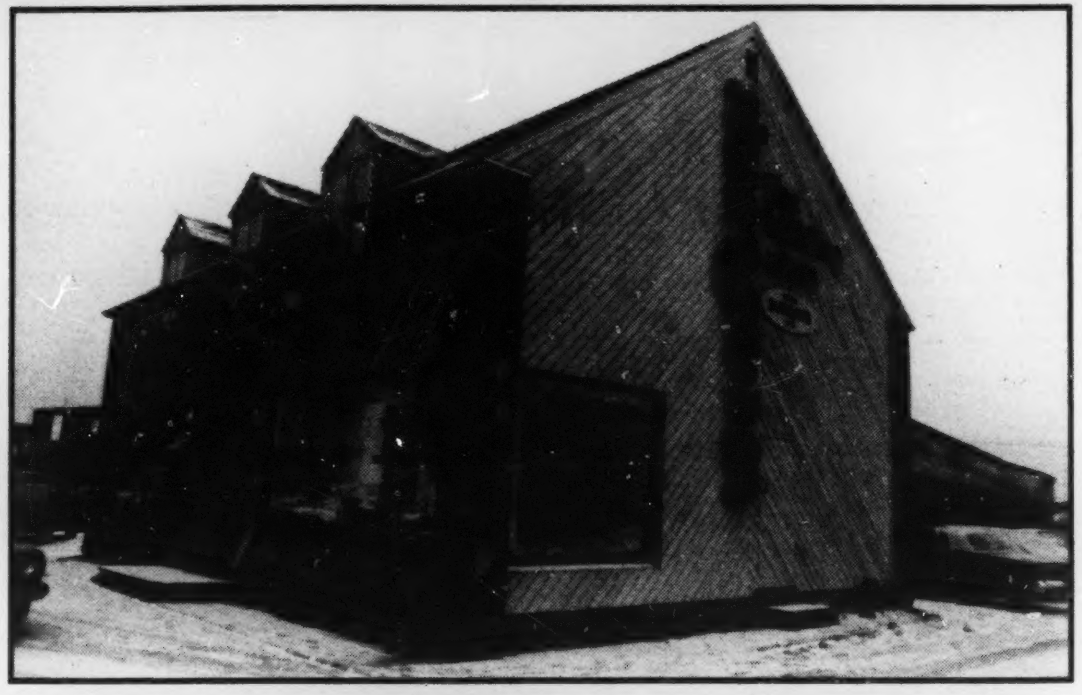
In a statement, the British chemical and building supply company said the purchase is the first step in its development of U.S. operations.

Harrisons will retain Woodburys' staff, Mike Woodbury said. Brian Jermyn, of Harrisons, will manage the $41 million chain. Woodburys operates nine units in New York and Vermont.

Mike Woodbury has a yearlong consulting agreement with Harrisons. The brothers also retained Harvest Homes, a panelized housing operation.

Founded in 1928 by Clayton G. Woodbury and his son Ralph, Woodburys was originally geared for contractors.

In 1958, the company built an 8,000-square-foot store in Burlington, Vt., creating the prototype for its contractor/DIY stores.


Harrisons & Crosfield, a British firm, has purchased Woodbury's, which has been a family operation for 60 years, as its first step in developing U.S. operations. NHCN photo

Major lighting fixtures importer makes IPO of 920,000 shares

By an NHCN staff editor

MIAMI — Catalina Lighting, a major importer of lighting fixtures and related products, made an initial public offering of 920,000 shares at $3.50 each on May 12.

The stocks will be traded on the American Stock Exchange and will be listed under the symbol LTG.

Capital raised by the IPO will be used to increase inventory within existing product lines, according to David Moss, chairman and president.

Catalina Lighting reported net income of $152,000 on revenues of $4,860,000 for the three months ended Dec. 31, 1987, compared to $98,000 for the same quarter, 1986.

The company designs, imports, warehouses, markets and distributes lighting fixtures, security devices and ceiling fans. It supplies these products to home centers and mass merchants.

Study shows customers with store credit will buy

By an NHCN staff editor

STAMFORD, Conn. — Customers who have store credit cards are more likely to make purchases in those stores than customers who don't have them, and customers with home center cards are the most likely of all to buy.

Those are among the findings of a just-released report commissioned by GE Capital Retailer Financial Services (formerly GE Credit), based here, which manages credit card programs for retailers.

The survey, done by Elrick and Lavidge Inc. of Atlanta, found that 96 percent of the respondents who had home center credit cards had made purchases on the day they were surveyed, as opposed to 82 percent of shoppers who didn't have cards.

Shoppers with a home center credit card spent an average of $118.60, compared with an average $29.30 spent by shoppers without cards.

That compares to an average $75.60 spent by shoppers with department store credit cards, and $53.70 spent by shoppers without those cards.

There was a similar difference on a yearly basis, with home center credit card shoppers spending an average of $849 annually, compared with an average $583 spent by shoppers without cards.

Department store card holders said they spent an average of $774, compared with $423 spent on average by those without cards.

In all cases, shoppers with store credit cards also spent more than those with American Express or bank cards, such as MasterCard and Visa.

More than 2,000 interviews were done for the survey, during late December and early January. Shoppers were questioned in the North, South, East and West.

Some 498 home center shoppers were surveyed.

Investor group acquires stake in Payless

By an NHCN staff editor

KANSAS CITY, Mo. — Investor Asher Edelman has teamed with Sutherland Lumber to buy 7.6 percent, or 2.56 million shares, of Payless Cashways' stock for $19 a share.

The group, as of May 20, may also have purchased another 519,000-share block, making its stake 9.2 percent.

Stung by these rumblings, Payless' board adopted a shareholders' protection defense which, it claims, "is not aimed at preventing a takeover but to encourage a buyer to negotiate" with the board.

Company officials declined to comment about their plan

(Continued on page 57)

INDEX

Advertisers Index 62
Classified 55-57
Company Index 62
Editorial 10

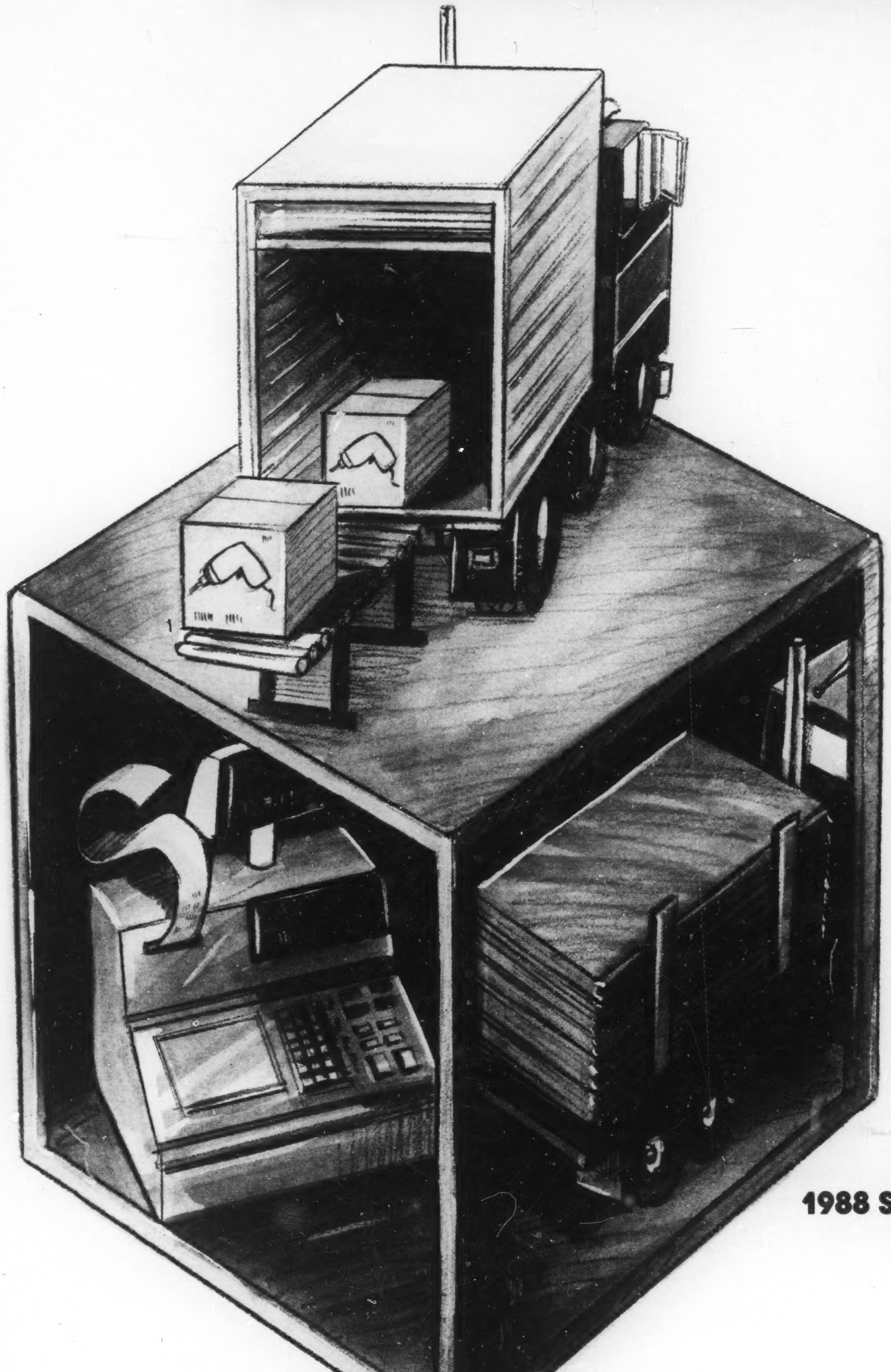
Perspectives 15
Merchandising 22
NHCN Top Wholesalers Chart 16
Wholesale Buying Groups Chart 17

NHCN Co-ops Chart 17
Regionals 44

Business Watch 51
Financial News 57
Housing 52
Stocks 58

Perspectives

The *NHCN* Annual Report on the Home Center Industry



PART TWO: THE TOP FULL-LINE HARDWARE WHOLESALERS

Hardlines wholesalers continue to be an important link between dealer and manufacturer, as these distributors have expanded their lines (some into commodities) and market reach through the addition of new facilities. *NHCN's* Top 40 full-line hardlines wholesalers increased their sales an aggregate 7.4 percent; more important, these distributors increased the number of dealers they ship to by 8.7 percent. The leading hardlines co-ops showed more impressive results, increasing aggregate sales by close to 12 percent to $5.6 billion.

SPECIAL BONUS:

1988 Sales Projections for Hardlines

Wholesalers regain their place in distribution 16

Hardware wholesale co-ops post healthy gains in 1987 17

Reports on regional sales show mixed economy 44